

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Charter Township of Port Huron	County St. Clair
Fiscal Year End December 31, 2006	Opinion Date June 21, 2007	Date Audit Report Submitted to State June 29, 2007	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

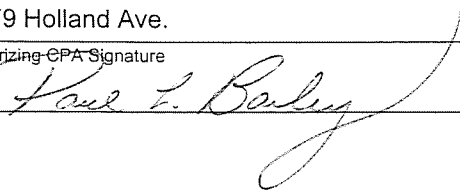
YES  
NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☒ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☒ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☐ ☒ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☐ ☒ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input checked="" type="checkbox"/>			
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name) Stewart, Beauvais & Whipple		Telephone Number 810-984-3829		
Street Address 1979 Holland Ave.		City Port Huron	State MI	Zip 48060
Authorizing CPA Signature 		Printed Name Paul L. Bailey		License Number 1101014088

**CHARTER TOWNSHIP OF PORT HURON, MICHIGAN**

**ANNUAL FINANCIAL STATEMENTS**  
**with Supplementary Information**

**FOR THE YEAR ENDED**  
**DECEMBER 31, 2006**

Stewart,  
Beauvais  
& Whipple P.C.

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CERTIFIED PUBLIC ACCOUNTANTS



# CHARTER TOWNSHIP OF PORT HURON, MICHIGAN

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# CHARTER TOWNSHIP OF PORT HURON, MICHIGAN

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## INDEPENDENT AUDITOR'S REPORT

To the Members of the Board of the  
Charter Township of Port Huron  
St. Clair County, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Charter Township of Port Huron, Michigan, as of and for the year ended December 31, 2006, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Charter Township of Port Huron's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Charter Township of Port Huron, Michigan, as of December 31, 2006, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis on pages 2 through 7, and schedules of budgetary comparisons on pages 45 through 50 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Charter Township of Port Huron's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements have been subjected to the auditing procedure applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Stewart, Beauvais & Whipple*

Certified Public Accountants

June 21, 2007

### OVERVIEW OF THE FINANCIAL STATEMENTS

The Charter Township of Port Huron's 2006 annual report is presented in conformity with the requirements of GASB 34. This annual report consists of four parts – management's discussion and analysis, the basic financial statements, required supplementary information, and other supplemental information, which presents combining statements for nonmajor governmental funds. The basic financial statements include two kinds of statements that present different views of the Township. The first two statements are government-wide financial statements that provide both long-term and short-term information about the Township's overall financial status. The remaining statements are fund financial statements that focus on individual parts of the Township's government, reporting the Township's operations in more detail than the government-wide statements.

#### *Government-Wide Financial Statements*

The government-wide statements report information about the Township as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid (full accrual).

The two government-wide statements report the Township's net assets and how they have changed. Net assets, defined as the difference between the Township's assets and liabilities, are one way to measure the Township's financial health or position.

The government-wide financial statements of the Township are divided into two categories:

**Governmental activities** – most of the Township's basic services are included here, such as the road, park, police, fire, public works, and general administration. Property taxes, state-shared revenue, and charges for services, provide most of the funding.

**Business-type activities** – the Township charges fees to customers to help it cover the costs of certain services it provides. The Township's water, sewer and refuse operations are treated as business-type activities.

#### *Fund Financial Statements*

The fund financial statements provide more detailed information about the Township's most significant funds, not the Township as a whole. Funds are accounting devices that the Township uses to keep track of specific sources of funding and spending for particular purposes. Some funds are required by State law and/or by bond covenants. The Township Board establishes other funds to control and manage money for particular purposes.

The Township has three kinds of funds:

**Governmental funds** - Most of the Township's basic services are included in governmental funds, which focus on how cash and other financial assets can readily be converted to cash flow in and out, and the balances left at year end that are available for spending. The governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the Township's programs.

**Proprietary funds** - Services for which the Township charges customers a fee are generally reported in the Water, Sewer and Refuse Funds. Proprietary funds, like the government-wide statements, provide both long and short-term financial information.

**Fiduciary Funds** – The Township is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the Township’s fiduciary activities are reported in a separate statement of assets and liabilities. We exclude these activities from the Township’s government-wide financial statements because the Township cannot use these assets to finance its operations.

## **FINANCIAL OVERVIEW (Government-wide financial analysis)**

The Township has combined total net assets of 27.8 million. This is an increase over 2005 of \$509,301. Government-type activities comprise \$6.5 million, and business-type activities make up \$21.3 million of the total net assets. In a condensed format, the table below shows net assets as of the December 31, 2006 and 2005.

### **In Thousands**

	Governmental Activities		Business-type Activities	
	2006	2005	2006	2005
<b>Assets</b>				
Current assets	\$ 5,603	\$ 6,045	\$ 3,493	\$ 3,211
Restricted assets	21	21	4,574	4,835
Noncurrent assets	<u>2,999</u>	<u>2,478</u>	<u>17,342</u>	<u>16,493</u>
Total assets	<u>8,623</u>	<u>8,545</u>	<u>25,409</u>	<u>24,539</u>
<b>Liabilities</b>				
Current liabilities	2,169	2,044	598	594
Liabilities payable from				
Restricted assets	-	-	143	488
Long-term liabilities	<u>-</u>	<u>145</u>	<u>3,320</u>	<u>2,520</u>
Total liabilities	<u>2,169</u>	<u>2,189</u>	<u>4,061</u>	<u>3,602</u>
<b>Net Assets</b>				
Invested in capital assets –				
Net of related debt	2,999	2,333	13,947	13,900
Restricted	912	1,246	4,545	4,473
Unrestricted	<u>2,543</u>	<u>2,777</u>	<u>2,856</u>	<u>2,564</u>
Total net assets	<u>\$ 6,454</u>	<u>\$ 6,356</u>	<u>\$ 21,348</u>	<u>\$ 20,937</u>

The Township governmental activities experienced a net change in assets of \$97,253. This is approximately 3.5% of annual expenditures.

The following table shows the changes in net assets for 2006 and 2005.

**In Thousands**

	Governmental Activities		Business-type Activities	
	2006	2005	2006	2005
<b>Revenue</b>				
Program Revenue:				
Charges for services	\$ 315	\$ 569	\$ 2,957	\$ 2,983
Operating grants and contributions	5	20	-	-
Capital grants and contributions	199	66	190	300
General Revenue:				
Property taxes	1,357	1,379	241	333
Unrestricted grants	704	704	-	-
Unrestricted investment earnings	303	167	358	185
Transfers In	-	-	126	-
Total Revenue	<u>2,883</u>	<u>2,905</u>	<u>3,872</u>	<u>3,801</u>
<b>Expenses</b>				
Program Expenses:				
General Government	661	760	-	-
Public Safety	1,201	1,206	-	-
Public Works	592	431	-	-
Recreation and Cultural	179	170	-	-
Health and Welfare	-	4	-	-
Interest on Debt	2	5	-	-
Water	-	-	1,667	1,559
Sewer	-	-	1,428	1,391
Refuse	-	-	365	362
Loss on Sale of Capital Assets	24	-	-	-
Transfers Out	127	-	-	-
Total Expenses	<u>2,786</u>	<u>2,576</u>	<u>3,460</u>	<u>3,312</u>
<b>Changes in net assets</b>	<u>\$ 97</u>	<u>\$ 329</u>	<u>\$ 412</u>	<u>\$ 489</u>

***Governmental Activities***

Revenues for governmental activities totaled \$2,882,418 in 2006. Of this amount, \$1,357,211 was received from taxes, which was a decrease of \$21,983 from the prior year. The next largest revenue source was federal/state/local revenue of \$703,746, a decrease of \$348 from 2005, charges for services of \$314,764, a decrease of \$253,966, and unrestricted investment income of \$302,873, an increase of \$136,160 from 2005.

***Business-type Activities***

The Township has three business-type activities, the water, sewer and refuse operations. Total revenues including property taxes, charges for services, taxes and interest income was \$3,872,164 and expenses were \$3,460,116 for a change in net assets of \$412,048. Most of this increase is a result of an increase in interest earned and revenues for capital items.

## **FINANCIAL ANALYSIS OF MAJOR TOWNSHIP FUNDS AND BUDGETS**

### ***Governmental Funds***

The General Fund ended 2006 with a fund balance of \$2,461,703, with \$12,458 reserved for prepaid expenditures and the remaining amount unreserved/undesignated. The original General Fund Budget estimated revenues under expenditures of \$(123,500), with the final amended budget approved by the Township Board estimating expenditures over revenues of \$(163,695). Actual results for 2006 have expenditures under revenues of \$(200,047) or a negative variance of \$(36,352). The significant reasons for the difference include:

- Interest and rents was \$147,554 more than anticipated.
- Expenditures for Transfers Out were \$192,565 more than budget as a result of \$125,807 transfer to the Sewer Fund for a ditch enclosure and an additional \$68,948 was transferred to the Fire Fund.

The Townships other major governmental funds had the following revenues over (under) expenditures as follows:

- Road Fund had expenditures in excess of revenues of \$347,017 because the Township had accumulated resources for a major project such as Michigan Road.
- The Police Fund had revenues over expenditures of \$28,948.
- The Transportation Fund had revenues over expenditures of \$16,325.
- The Fire Fund had revenues and transfers in excess of expenditures of \$3,461.

The budgets were amended throughout the year as deemed necessary, primarily to prevent over expenditure. The following significant amendments were made during the year.

#### **General Fund**

- The Debt Service activity was amended to include the early pay off of a building notes payable.
- The Superintendent budget of \$71,200 was eliminated because that position was not created for 2006.

#### **Other Funds**

- The Fire Fund expenditures were increased from \$474,800 to \$549,770 and Transfers In were increased from \$351,300 to \$426,670 because of increased costs.
- The Museum Fund expenditures were increased from \$7,750 to \$33,945 because of building repair costs and the purchase of a steam engine.

### ***Business-type Activities***

As indicated earlier the Township only three business-type activities, the water, sewer and refuse operations. Total revenues amounted to \$3,872,164 for 2006 and expenses were \$3,460,116 for an increase in net assets of \$412,048. Most of this increase is a result of an increase from interest earned and revenue for capital items.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### *Capital Assets*

The Township had \$20.3 million dollars invested in capital assets for its government and business-type activities (net of accumulated depreciation) as of December 31, 2006. The investment is a capital asset, which includes land, land improvements, buildings, machinery and equipment, and water and sewer lines. During the year the Township added \$2,075,682 of capital assets, \$716,754 in the government-activities and \$1,358,928 in the business-type activities. Of the governmental activities, \$117,168 was for ditch enclosures, \$344,017 of shared road improvements and \$200,703, for fire equipment which included the purchase of mini-pumper vehicle. Most of the business-type activities were a result of construction of Ravenswood sewer lines and various water lines projects.

	Governmental Activities		Business-type Activities	
	2006	2005	2006	2005
Land	\$ 768,031	\$ 768,031	\$ 82,062	\$ 82,062
Works of Art	16,000	-	-	-
Land Improvements	1,268,638	792,582	139,106	-
Building and Improvements	1,516,971	1,506,565	-	-
Machinery and Equipment	1,236,758	1,056,942	682,032	707,908
Mains and Extensions	-	-	24,486,642	23,389,892
Construction in Progress	-	-	786,272	637,324
	4,806,398	4,124,120	26,176,114	24,817,186
Accumulated Depreciation	( 1,807,593)	( 1,645,680)	( 8,833,982)	( 8,324,517)
	<u>\$ 2,998,805</u>	<u>\$ 2,478,440</u>	<u>\$17,342,132</u>	<u>\$ 16,492,669</u>

Additional information on the Township's capital assets can be found in Note 7.

### *Long-Term Debt*

At December 31, 2006, the Township's had \$3,435,000 in long-term debt compared to \$2,780,200 at December 31, 2005, an increase of \$654,800 from the prior year due to a 2006 G. O. Water Bond issue for \$975,000. The following table shows the long-term debt at December 31, 2006 and 2005:

	Governmental Activities		Business-type Activities	
	2006	2005	2006	2005
Revenue Bond	\$ -	\$ -	\$ 25,000	\$ 40,000
G.O. Bonds	-	-	3,410,000	2,595,000
Notes Payable	-	145,200	-	-
	<u>\$ -</u>	<u>\$ 145,200</u>	<u>\$ 3,435,000</u>	<u>\$ 2,635,000</u>

## **ECONOMIC FACTORS AND NEXT YEARS BUDGET**

For 2007, the Township Board adopted a balanced general fund budget with estimated revenues and expenditures of \$1,318,684. This is approximately a 19% decrease from actual expenditures for 2006 and 9% decrease from the 2006 amended general fund expenditure budget. The decrease is due to 2006 expenditures including such items as paying off a building note payable of \$145,200 and reducing the allocation to the Fire Department by \$120,098. Although local municipalities in the State of Michigan have seen State Shared Revenues decrease significantly during the past few years, the 2007 budget does not anticipate any further cuts.

## **CONTACTING THE TOWNSHIP**

This financial report is designed to provide a general overview of the Township's finances to and our residents and other interested parties in understanding the Township's financial condition. If you have questions about this report or need additional financial information, please contact the Township at (810) 987-6600.

## **BASIC FINANCIAL STATEMENTS**

# CHARTER TOWNSHIP OF PORT HURON

St. Clair County, Michigan

## STATEMENT OF NET ASSETS DECEMBER 31, 2006

	Primary Government			Component Units
	Governmental Activities	Business Type Activities	Total	
<b>ASSETS:</b>				
Cash and cash equivalents	\$ 2,266,802	\$ 2,057,256	\$ 4,324,058	\$ 507,486
Investments	1,000,000	5,000	1,005,000	1,000,000
Receivables (net of allowance)	2,229,847	1,171,600	3,401,447	1,193,027
Due from primary government	-	-	-	20,680
Due from component unit	83,251	204,599	287,850	-
Prepaid expenditures	22,581	15,318	37,899	-
Deferred assets	-	39,610	39,610	-
Restricted Assets -				-
Cash and cash equivalents	21,285	4,159,956	4,181,241	-
Receivables (net of allowance)	-	413,496	413,496	-
Capital assets (net of accumulated depreciation)				
Assets not being depreciated	784,031	868,334	1,652,365	-
Assets being depreciated	2,214,774	16,473,798	18,688,572	7,204,964
Total Assets	<u>8,622,571</u>	<u>25,408,967</u>	<u>34,031,538</u>	<u>9,926,157</u>
<b>LIABILITIES:</b>				
Payables and accrued liabilities	380,642	446,525	827,167	168,039
Accrued interest	-	33,919	33,919	23,680
Due to primary government	-	-	-	287,850
Due to component units	20,680	-	20,680	-
Advances and deposits	43,322	29,238	72,560	-
Deferred revenue	1,723,952	88,097	1,812,049	1,138,107
Liabilities Payable From Restricted Assets				
Accounts payable	-	21,425	21,425	-
Bonds payable (current)	-	115,000	115,000	-
Accrued interest	-	6,478	6,478	-
Non-current liabilities				
Due within one year	-	125,000	125,000	585,000
Due in more than one year	-	3,195,000	3,195,000	2,375,000
Total Liabilities	<u>2,168,596</u>	<u>4,060,682</u>	<u>6,229,278</u>	<u>4,577,676</u>
<b>NET ASSETS:</b>				
Investment in capital assets, net of related liabilities	2,998,805	13,946,742	16,945,547	4,244,964
Restricted				
Debt retirement/construction of capital assets	-	4,545,549	4,545,549	-
Cemetery perpetual care				
Nonexpendable	20,888	-	20,888	-
Other -				
Public Safety	320,333	-	320,333	-
Public Works	403,165	-	403,165	-
Recreation and Cultural	167,751	-	167,751	-
Unrestricted	2,543,033	2,855,994	5,399,027	1,103,517
Total Net Assets	<u>\$ 6,453,975</u>	<u>\$ 21,348,285</u>	<u>\$ 27,802,260</u>	<u>\$ 5,348,481</u>

The accompanying notes are an integral part of these financial statements.

# CHARTER TOWNSHIP OF PORT HURON

St. Clair County, Michigan

## STATEMENT OF ACTIVITIES FOR THE YEAR ENDED DECEMBER 31, 2006

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary Government</b>				
Governmental activities:				
General Government	\$ 660,571	\$ 56,050	\$ -	\$ -
Public Safety	1,200,512	101,771	4,978	131,349
Public Works	592,310	7,918	-	33,441
Recreation and Culture	179,475	149,025	-	34,056
Interest on Long Term Debt	1,634	-	-	-
Total governmental activities	<u>2,634,502</u>	<u>314,764</u>	<u>4,978</u>	<u>198,846</u>
Business type activities:				
Water Fund	1,666,534	1,355,196	-	44,150
Sewer Fund	1,428,173	1,183,855	-	146,410
Refuse Fund	365,409	418,105	-	-
	<u>3,460,116</u>	<u>2,957,156</u>	<u>-</u>	<u>190,560</u>
 Total Primary Government	 <u>6,094,618</u>	 <u>3,271,920</u>	 <u>4,978</u>	 <u>389,406</u>
<b>Component Units</b>				
Downtown Development Authority	435,330	-	-	-
Economic Development Corporation	3,183	4,000	-	-
Brownfield Redevelopment Authority	48,941	-	-	-
Total Component Units	<u>487,454</u>	<u>4,000</u>	<u>-</u>	<u>-</u>

General revenues:  
 Property taxes  
 Grants and contribution not  
 restricted to specific programs  
 Unrestricted investment income  
 Loss on sale of capital assets  
 Transfers in (out)  
 Total general revenues and transfers

Change in net assets

Net assets at beginning of year

Net assets at end of year

The accompanying notes are an integral part of these financial statements.

Net (Expense) Revenue and Change in Net Assets

Primary Government			
Governmental Activities	Business Type Activities	Total	Component Units
\$( 604,521)	\$ -	\$( 604,521)	\$ -
( 962,414)	-	( 962,414)	-
( 550,951)	-	( 550,951)	-
3,606	-	3,606	-
( 1,634)	-	( 1,634)	-
<u>( 2,115,914)</u>	<u>-</u>	<u>( 2,115,914)</u>	<u>-</u>
-	( 267,188)	( 267,188)	-
-	( 97,908)	( 97,908)	-
-	52,696	52,696	-
<u>-</u>	<u>( 312,400)</u>	<u>( 312,400)</u>	<u>-</u>
<u>( 2,115,914)</u>	<u>( 312,400)</u>	<u>( 2,428,314)</u>	<u>-</u>
-	-	-	( 435,330)
-	-	-	817
-	-	-	<u>( 48,941)</u>
-	-	-	<u>( 483,454)</u>
1,357,211	240,792	1,598,003	1,067,714
703,746	-	703,746	-
302,873	357,849	660,722	100,509
( 23,600)	-	( 23,600)	-
( 127,063)	125,807	( 1,256)	1,256
<u>2,213,167</u>	<u>724,448</u>	<u>2,937,615</u>	<u>1,169,479</u>
97,253	412,048	509,301	686,025
<u>6,356,722</u>	<u>20,936,237</u>	<u>27,292,959</u>	<u>4,662,456</u>
<u>\$ 6,453,975</u>	<u>\$ 21,348,285</u>	<u>\$ 27,802,260</u>	<u>\$ 5,348,481</u>

# CHARTER TOWNSHIP OF PORT HURON

St. Clair County, Michigan

## BALANCE SHEET GOVERNMENTAL FUNDS DECEMBER 31, 2006

	General	Road	Police	Transportation	Fire
<b>ASSETS</b>					
<b>Current assets -</b>					
Cash and cash equivalents	\$ 647,184	\$ 216,568	\$ 88,418	\$ 342,671	\$ 490,214
Investments	1,000,000	-	-	-	-
Receivables -					
Property taxes	671,430	256,331	388,221	195,234	128,154
Interest and accounts	129,559	23,786	-	-	19,800
Special assessments	12,695	35,647	-	-	-
Due from other governmental units -					
Federal/State/Local	216,109	-	-	-	-
Due from other funds	629,405	3,974	86,099	-	-
Due from component unit	82,051	-	-	-	-
Prepaid expenditures	12,458	-	-	-	8,661
	<u>3,400,891</u>	<u>536,306</u>	<u>562,738</u>	<u>537,905</u>	<u>646,829</u>
<b>Restricted assets -</b>					
Cash and cash equivalents	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Assets	<u>\$ 3,400,891</u>	<u>\$ 536,306</u>	<u>\$ 562,738</u>	<u>\$ 537,905</u>	<u>\$ 646,829</u>
<b>Liabilities:</b>					
Accounts payable	\$ 33,789	\$ 4,652	\$ 34,530	\$ 180,735	\$ 62,957
Accrued liabilities	28,889	-	-	-	27,997
Advances and deposits					
Local	13,510	-	-	-	-
Due to other funds	163,276	9,979	-	-	419,060
Due to component unit	20,680	-	-	-	-
Deferred revenue	679,044	280,446	461,403	195,234	128,154
	<u>939,188</u>	<u>295,077</u>	<u>495,933</u>	<u>375,969</u>	<u>638,168</u>
Total Liabilities	<u>939,188</u>	<u>295,077</u>	<u>495,933</u>	<u>375,969</u>	<u>638,168</u>
<b>Fund Balances:</b>					
Reserved -					
Prepaid expenditures	12,458	-	-	-	8,661
Parks millage	-	-	-	-	-
Perpetual Care	-	-	-	-	-
Unreserved -					
Undesignated -					
General Fund	2,449,245	-	-	-	-
Special Revenue Funds	-	241,229	66,805	161,936	-
Total Equity	<u>2,461,703</u>	<u>241,229</u>	<u>66,805</u>	<u>161,936</u>	<u>8,661</u>
Total Liabilities and Fund Equity	<u>\$ 3,400,891</u>	<u>\$ 536,306</u>	<u>\$ 562,738</u>	<u>\$ 537,905</u>	<u>\$ 646,829</u>

The accompanying notes are an integral part of these financial statements.

Other Governmental Funds	Total Governmental Funds
\$ 481,747	\$ 2,266,802
-	1,000,000
-	1,639,370
-	173,145
-	48,342
17,028	233,137
59,498	778,976
1,200	83,251
1,462	22,581
<u>560,935</u>	<u>6,245,604</u>
21,285	21,285
<u>\$ 582,220</u>	<u>\$ 6,266,889</u>
\$ 3,720	\$ 320,383
3,373	60,259
29,812	43,322
50,808	643,123
-	20,680
<u>11,400</u>	<u>1,755,681</u>
<u>99,113</u>	<u>2,843,448</u>
1,462	22,581
167,751	167,751
20,888	20,888
-	2,449,245
293,006	762,976
<u>483,107</u>	<u>3,423,441</u>
<u>\$ 582,220</u>	<u>\$ 6,266,889</u>

**CHARTER TOWNSHIP OF PORT HURON**

**St. Clair County, Michigan**

**RECONCILIATION OF FUND BALANCES ON THE BALANCE SHEET FOR  
GOVERNMENTAL FUNDS TO NET ASSETS OF GOVERNMENTAL ACTIVITIES  
ON THE STATEMENT OF NET ASSETS  
DECEMBER 31, 2006**

Fund Balances - total governmental funds	\$ 3,423,441
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	
Capital assets	4,806,398
Accumulated depreciation	( 1,807,593)
Other long term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	
Special Assessments	<u>31,729</u>
Net Assets of governmental activities	<u><u>\$ 6,453,975</u></u>

The accompanying notes are an integral part of these financial statements.

**CHARTER TOWNSHIP OF PORT HURON**  
**St. Clair County, Michigan**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2006**

	General	Road	Police	Transportation	Fire
<b>Revenues:</b>					
Taxes	\$ 411,213	\$ 237,727	\$ 434,403	\$ 183,383	\$ 118,816
Licenses and permits	4,950	-	-	-	-
Intergovernmental -					
Federal/State	612,352	-	-	-	111,879
Local	17,028	-	-	-	-
Charges for services	120,030	-	-	-	-
Fines and forfeits	1,488	-	-	-	-
Interest and rent	224,654	34,564	6,592	13,678	1,940
Other	22,237	22,586	-	-	33,527
Total Revenues	<u>1,413,952</u>	<u>294,877</u>	<u>440,995</u>	<u>197,061</u>	<u>266,162</u>
<b>Expenditures:</b>					
Current -					
General Government	595,127	-	-	-	-
Public Safety	23,230	-	414,777	-	757,919
Public Works	207,748	641,894	-	180,736	-
Recreation and Cultural	31,601	-	-	-	-
Debt Service					
Principal	145,200	-	-	-	-
Interest	3,812	-	-	-	-
Total Expenditures	<u>1,006,718</u>	<u>641,894</u>	<u>414,777</u>	<u>180,736</u>	<u>757,919</u>
Excess of revenues over (under) expenditures	<u>407,234</u>	<u>( 347,017)</u>	<u>26,218</u>	<u>16,325</u>	<u>( 491,757)</u>
<b>Other Financing Sources (Uses):</b>					
Transfers from other funds	15,000	-	2,730	-	495,218
Transfers to other funds	<u>( 622,281)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources	<u>( 607,281)</u>	<u>-</u>	<u>2,730</u>	<u>-</u>	<u>495,218</u>
Excess of revenues and other sources over (under) expenditures	<u>( 200,047)</u>	<u>( 347,017)</u>	<u>28,948</u>	<u>16,325</u>	<u>3,461</u>
Fund Balances at beginning of year	<u>2,661,750</u>	<u>588,246</u>	<u>37,857</u>	<u>145,611</u>	<u>5,200</u>
Fund Balances at end of year	<u>\$ 2,461,703</u>	<u>\$ 241,229</u>	<u>\$ 66,805</u>	<u>\$ 161,936</u>	<u>\$ 8,661</u>

The accompanying notes are an integral part of these financial statements.

Other Governmental Funds	Total Governmental Funds
\$ -	\$ 1,385,542
81,829	86,779
4,978	729,209
17,028	34,056
136,985	257,015
-	1,488
49,287	330,715
5,795	84,145
<u>295,902</u>	<u>2,908,949</u>

20,989	616,116
142,150	1,338,076
-	1,030,378
158,862	190,463
-	145,200
-	3,812
<u>322,001</u>	<u>3,324,045</u>

<u>( 26,099)</u>	<u>( 415,096)</u>
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1,985	514,933
<u>( 19,715)</u>	<u>( 641,996)</u>
<u>( 17,730)</u>	<u>( 127,063)</u>

( 43,829)	( 542,159)
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<u>526,936</u>	<u>3,965,600</u>
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<u>\$ 483,107</u>	<u>\$ 3,423,441</u>
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**CHARTER TOWNSHIP OF PORT HURON**

**St. Clair County, Michigan**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGE IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
DECEMBER 31, 2006**

Net change in fund balances - total governmental funds			\$( 542,159)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.			
Capital outlay			716,754
Depreciation expense		(	172,789)
Loss on disposal of capital asset		(	23,600)
Revenue in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.			
		(	28,331)
Repayment of the principal of long-term debt consumes the current financial resources of governmental funds, however has no effect on net assets.			
Principal payments on long term liabilities	145,200		
Decrease in accrued interest	<u>2,178</u>		<u>147,378</u>
Change in net assets of governmental activities		\$	<u><u>97,253</u></u>

The notes to the financial statements are an integral part of this statement.

**CHARTER TOWNSHIP OF PORT HURON**  
**St. Clair County, Michigan**

**STATEMENT OF NET ASSETS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>Water</u>	<u>Sewer</u>	<u>Refuse</u>	<u>Total</u>
<b>ASSETS</b>				
<b>Current Assets:</b>				
Cash and cash equivalents	\$ 1,359,333	\$ 575,538	\$ 122,385	\$ 2,057,256
Investments	5,000	-	-	5,000
Receivables -				
Utilities	499,384	441,841	-	941,225
Special assessments	58,916	3,108	-	62,024
Other	-	-	100,888	100,888
Due from other funds	112,710	135,821	81,911	330,442
Due from component unit	-	204,599	-	204,599
Prepaid expenses	8,158	7,160	-	15,318
	<u>2,043,501</u>	<u>1,368,067</u>	<u>305,184</u>	<u>3,716,752</u>
<b>Restricted Assets:</b>				
Cash and cash equivalents	-	4,159,956	-	4,159,956
Receivables -				
Special assessment	-	317,471	-	317,471
Due from other funds	-	96,025	-	96,025
	<u>-</u>	<u>4,573,452</u>	<u>-</u>	<u>4,573,452</u>
<b>Utility System:</b>				
Land	82,062	-	-	82,062
Land improvements	-	139,106	-	139,106
Mains and extensions	6,141,215	18,345,427	-	24,486,642
Equipment	185,773	496,259	-	682,032
	<u>6,409,050</u>	<u>18,980,792</u>	<u>-</u>	<u>25,389,842</u>
Less - accumulated depreciation	( 2,372,656)	( 6,461,326)	-	( 8,833,982)
	<u>4,036,394</u>	<u>12,519,466</u>	<u>-</u>	<u>16,555,860</u>
Construction in progress	757,847	28,425	-	786,272
	<u>4,794,241</u>	<u>12,547,891</u>	<u>-</u>	<u>17,342,132</u>
<b>Other Assets:</b>				
Unamortized bond costs	11,400	28,210	-	39,610
	<u>11,400</u>	<u>28,210</u>	<u>-</u>	<u>39,610</u>
Total Assets	<u>\$ 6,849,142</u>	<u>\$ 18,517,620</u>	<u>\$ 305,184</u>	<u>\$ 25,671,946</u>

	<u>Water</u>	<u>Sewer</u>	<u>Refuse</u>	<u>Total</u>
<b>LIABILITIES</b>				
<b>Current Liabilities:</b>				
Payables -				
Accounts	\$ 74,923	\$ 7,479	\$ -	\$ 82,402
Accrued salaries	4,458	2,388	-	6,846
Deposits	29,085	153	-	29,238
Due to other governmental units -				
Local	186,508	170,769	-	357,277
Due to other funds	217,323	45,108	548	262,979
Accrued interest	33,919	-	-	33,919
Bonds payable	125,000	-	-	125,000
Deferred revenue	-	-	88,097	88,097
	<u>671,216</u>	<u>225,897</u>	<u>88,645</u>	<u>985,758</u>
<b>Current Liabilities - (Payable from restricted assets):</b>				
Accounts payable	-	21,425	-	21,425
Bonds payable (current portion)	-	115,000	-	115,000
Accrued interest	-	6,478	-	6,478
	<u>-</u>	<u>142,903</u>	<u>-</u>	<u>142,903</u>
<b>Long-Term Liabilities:</b>				
Bonds payable (net of current portion)	<u>2,370,000</u>	<u>825,000</u>	<u>-</u>	<u>3,195,000</u>
Total Liabilities	<u>3,041,216</u>	<u>1,193,800</u>	<u>88,645</u>	<u>4,323,661</u>
<b>Net Assets</b>				
Investment in capital assets, net	2,310,641	11,636,101	-	13,946,742
Restricted				
Bond retirement/construction	-	4,545,549	-	4,545,549
Unrestricted	<u>1,497,285</u>	<u>1,142,170</u>	<u>216,539</u>	<u>2,855,994</u>
	<u>\$ 3,807,926</u>	<u>\$ 17,323,820</u>	<u>\$ 216,539</u>	<u>\$ 21,348,285</u>

The notes to the financial statements are an integral part of this statement.

**CHARTER TOWNSHIP OF PORT HURON**  
**St. Clair County, Michigan**

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>Water</u>	<u>Sewer</u>	<u>Refuse</u>	<u>Total</u>
<b>Operating Revenues:</b>				
User charges	\$ 1,327,110	\$ 1,164,830	\$ 408,375	\$ 2,900,315
Lateral fees	11,166	14,900	-	26,066
Other charges	16,920	4,125	9,730	30,775
	<u>1,355,196</u>	<u>1,183,855</u>	<u>418,105</u>	<u>2,957,156</u>
<b>Operating Expenses:</b>				
Salaries and wages	136,310	99,037	-	235,347
Fringe benefits	77,377	78,532	-	155,909
Supplies	86,012	5,078	1,400	92,490
Professional fees	32,325	10,479	500	43,304
Water, sewer and refuse charges	942,686	781,613	362,745	2,087,044
Repairs and maintenance	67,856	26,031	-	93,887
Depreciation/amortization	171,486	340,259	-	511,745
Utilities	14,684	23,848	-	38,532
Other	26,324	21,389	764	48,477
	<u>1,555,060</u>	<u>1,386,266</u>	<u>365,409</u>	<u>3,306,735</u>
Operating Income (Loss)	<u>( 199,864)</u>	<u>( 202,411)</u>	<u>52,696</u>	<u>( 349,579)</u>
<b>Non-Operating Revenues (Expenses):</b>				
Property taxes	-	240,792	-	240,792
Special assessments and tap fees	44,150	146,410	-	190,560
Interest earned	101,262	251,485	5,102	357,849
Interest on bonds and paying agent fees	<u>( 111,474)</u>	<u>( 41,907)</u>	<u>-</u>	<u>( 153,381)</u>
	<u>33,938</u>	<u>596,780</u>	<u>5,102</u>	<u>635,820</u>
<b>Net Income (Loss) before transfers:</b>	<u>( 165,926)</u>	<u>394,369</u>	<u>57,798</u>	<u>286,241</u>
<b>Transfers:</b>				
Transfer in	<u>-</u>	<u>125,807</u>	<u>-</u>	<u>125,807</u>
<b>Net Income (Loss)</b>	<u>( 165,926)</u>	<u>520,176</u>	<u>57,798</u>	<u>412,048</u>
Net Assets at beginning of year	<u>3,973,852</u>	<u>16,803,644</u>	<u>158,741</u>	<u>20,936,237</u>
Net Assets at end of year	<u><u>\$ 3,807,926</u></u>	<u><u>\$ 17,323,820</u></u>	<u><u>\$ 216,539</u></u>	<u><u>\$ 21,348,285</u></u>

The notes to the financial statements are an integral part of this statement.

# CHARTER TOWNSHIP OF PORT HURON

St. Clair County, Michigan

## STATEMENT OF CASH FLOWS

### PROPRIETARY FUNDS

FOR THE YEAR ENDED DECEMBER 31, 2006

	Water	Sewer	Refuse	Total
<b>Cash Flows From Operating Activities:</b>				
Receipts from customers	\$ 1,364,457	\$ 1,198,936	\$ 414,815	\$ 2,978,208
Payments to suppliers	( 1,163,609)	( 974,304)	( 365,409)	( 2,503,322)
Payments to employees	( 213,584)	( 177,496)	-	( 391,080)
Other cash receipts (payments)	3,609	( 2,016)	-	1,593
Net Cash Provided (Used) by Operating Activities	<u>( 9,127)</u>	<u>45,120</u>	<u>49,406</u>	<u>85,399</u>
<b>Cash Flows From Capital and Related Financing Activities:</b>				
Bond payments	( 180,419)	( 157,756)	-	( 338,175)
Due to/from other funds	( 49,308)	( 180,409)	( 34,744)	( 264,461)
Transfers from/to other funds	-	125,807	-	125,807
Acquisition and construction of capital assets	( 757,847)	( 601,081)	-	( 1,358,928)
Proceeds from sale of bonds	975,000	-	-	975,000
Special assessments and tap fees	37,508	96,878	-	134,386
Property taxes	-	483,214	-	483,214
Deferred revenue	-	( 242,422)	890	( 241,532)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>24,934</u>	<u>( 475,769)</u>	<u>( 33,854)</u>	<u>( 484,689)</u>
<b>Cash Flows From Investing Activities:</b>				
Interest earned	<u>101,262</u>	<u>251,485</u>	<u>5,102</u>	<u>357,849</u>
Net Increase (Decrease) in Cash and Cash Equivalents for the year	117,069	( 179,164)	20,654	( 41,441)
Cash and Cash Equivalents at beginning of year	<u>1,242,264</u>	<u>4,914,658</u>	<u>101,731</u>	<u>6,258,653</u>
Cash and Cash Equivalents at end of year	<u><u>\$ 1,359,333</u></u>	<u><u>\$ 4,735,494</u></u>	<u><u>\$ 122,385</u></u>	<u><u>\$ 6,217,212</u></u>
<b>Reconciliation of operating income (loss) to net cash provided by operating activities:</b>				
Operating income (loss) for the year	\$( 199,864)	\$( 202,411)	\$ 52,696	\$( 349,579)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities -				
Depreciation and amortization	171,486	340,259	-	511,745
Changes in assets and liabilities -				
Receivables	9,261	15,081	( 3,290)	21,052
Prepaid expenses	( 4,177)	( 3,232)	-	( 7,409)
Payables	<u>14,167</u>	<u>( 104,577)</u>	<u>-</u>	<u>( 90,410)</u>
Net Cash Provided (Used) by Operating Activities	<u><u>\$( 9,127)</u></u>	<u><u>\$ 45,120</u></u>	<u><u>\$ 49,406</u></u>	<u><u>\$ 85,399</u></u>

The notes to the financial statements are an integral part of this statement.

**CHARTER TOWNSHIP OF PORT HURON**  
**St. Clair County, Michigan**

**STATEMENT OF FIDUCIARY NET ASSETS**  
**FIDUCIARY FUNDS**  
**DECEMBER 31, 2006**

	Agency Funds
	<hr/>
<b>ASSETS:</b>	
Cash and cash equivalents	\$     3,114,795
Due from other funds	<hr/> 20,389
	<hr/> <b>\$     3,135,184</b> <hr/>
 <b>LIABILITIES:</b>	
Due to other funds	\$           319,730
Due to component units	17,787
Undistributed taxes	<hr/> 2,797,667
 Total Liabilities	 <hr/> <b>\$     3,135,184</b> <hr/>

The accompanying notes are an integral part of these financial statements.

# CHARTER TOWNSHIP OF PORT HURON

St. Clair County, Michigan

## COMBINING STATEMENT OF NET ASSETS DISCRETELY PRESENTED COMPONENT UNITS DECEMBER 31, 2006

	Downtown Development Authority	Economic Development Corporation	Brownfield Development Authority	Totals
<b>ASSETS</b>				
Cash and cash equivalents	\$ 477,607	\$ 28,537	\$ 1,342	\$ 507,486
Investments	1,000,000	-	-	1,000,000
Taxes receivable	1,138,107	-	-	1,138,107
Interest receivable	37,133	-	-	37,133
Due from primary government	38,467	-	-	38,467
Capital Assets (net of accumulated depreciation)				
Assets being depreciated	7,204,964	-	-	7,204,964
	<u>9,896,278</u>	<u>28,537</u>	<u>1,342</u>	<u>9,926,157</u>
<b>LIABILITIES</b>				
Payables and current liabilities	167,883	156	-	168,039
Due to primary government	223,657	21,573	42,620	287,850
Deferred revenue	1,138,107	-	-	1,138,107
Accrued interest	23,680	-	-	23,680
Non-current liabilities				
Due within one year	585,000	-	-	585,000
Due in more than one year	2,375,000	-	-	2,375,000
	<u>4,513,327</u>	<u>21,729</u>	<u>42,620</u>	<u>4,577,676</u>
<b>Net Assets:</b>				
Invested in Capital Assets, net of related liabilities	4,244,964	-	-	4,244,964
Unrestricted	<u>1,137,987</u>	<u>6,808</u>	<u>( 41,278)</u>	<u>1,103,517</u>
	<u>\$ 5,382,951</u>	<u>\$ 6,808</u>	<u>\$( 41,278)</u>	<u>5,348,481</u>

The accompanying notes are an integral part of these financial statements.

**CHARTER TOWNSHIP OF PORT HURON**  
**St. Clair County, Michigan**

**COMBINING STATEMENT OF ACTIVITIES**  
**DISCRETELY PRESENTED COMPONENT UNITS**  
**FOR THE YEAR ENDED DECEMBER 31, 2006**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Downtown Development Authority</b>				
Governmental Activities				
Public Works	\$ 284,773	\$ -	\$ -	\$ -
Debt Service	150,557	-	-	-
	<u>435,330</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Economic Development Corporation</b>				
Governmental Activities				
Public Works	<u>3,183</u>	<u>4,000</u>	<u>-</u>	<u>-</u>
<b>Brownfield Redevelopment Authority</b>				
Governmental Activities				
Public Works	<u>48,941</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Component Units	<u>\$ 487,454</u>	<u>\$ 4,000</u>	<u>\$ -</u>	<u>\$ -</u>

General revenues:

Property taxes

Unrestricted investment income

Transfer in

Total general revenues and transfers

Change in net assets

Net assets at beginning of year

Net assets at end of year

The accompanying notes are an integral part of these financial statements.

Net (Expense) Revenue and Change in Net Assets

<u>Downtown Development Authority</u>	<u>Economic Development Corporation</u>	<u>Brownfield Redevelopment Authority</u>	<u>Total</u>
\$( 284,773)			
( 150,557)			
<u>( 435,330)</u>			\$( 435,330)
	<u>\$ 817</u>		817
		<u>\$( 48,941)</u>	( 48,941)
1,067,714	-	-	1,067,714
99,234	1,267	8	100,509
-	-	1,256	1,256
<u>1,166,948</u>	<u>1,267</u>	<u>1,264</u>	<u>1,169,479</u>
731,618	2,084	( 47,677)	686,025
<u>4,651,333</u>	<u>4,724</u>	<u>6,399</u>	<u>4,662,456</u>
<u>\$ 5,382,951</u>	<u>\$ 6,808</u>	<u>\$( 41,278)</u>	<u>\$ 5,348,481</u>

# **CHARTER TOWNSHIP OF PORT HURON, MICHIGAN**

## **NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2006**

### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

#### **A. Reporting Entity -**

The Charter Township of Port Huron, Michigan, a Municipal Corporation, was organized as a Township in 1827 and became a Charter Law Township on November 27, 1978, under Public Act 359, the Charter Township Act. The Township is one of twenty-three Townships in St. Clair County and covers an area of approximately 13 square miles. The Township operates under an elected Township Board which consists of a Supervisor, Clerk, Treasurer, and four (4) Trustees, and provides services to its more than 8,600 residents in many areas including law enforcement, fire protection, water, sewer, roads, parks and natural resources, and planning and economic development.

These financial statements present the Township and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the government's operation. Discretely presented component units are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate for the Township.

#### **DISCRETELY PRESENTED COMPONENT UNITS –**

**ECONOMIC DEVELOPMENT CORPORATION** – was incorporated under the provision of Act No. 338 of the Public Acts of 1974, as amended. Its purpose is to alleviate and prevent conditions of unemployment, to assist and retain local industry and commercial enterprises, to strengthen and revitalize the Township economy, to provide means and methods for encouragement and assistance to industrial and commercial enterprises, etc. The EDC is managed by its 13 member Board of Directors, which are appointed by the Supervisor with the advice and consent of the Township Board. The Corporation is financed primarily through user charges, rent and donations. The Corporation has the authority to issue revenue bonds, which are not backed by the Corporation or the Township, but rather the specific project for which they were issued. Since the EDC operates in conjunction and there is an interdependency between the two agencies, the Corporation is reported as a component unit.

**DOWNTOWN DEVELOPMENT AUTHORITY** - was created to halt property value deterioration, eliminate the cause of the deterioration, increase property tax valuation and promote economic growth. The Authority is under the supervision of the Board, with the nine-member Board appointed by the Supervisor. The Authority is required to annually prepare and submit a budget to the Township Board.

**BROWNFIELD REDEVELOPMENT AUTHORITY** - was created to promote the revitalization of environmentally distressed areas. The Authority is under the supervision of the Board, with the eight to ten member Board appointed by the Supervisor and confirmed by the Township Board.

# CHARTER TOWNSHIP OF PORT HURON, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2006

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (cont'd):

#### **B. Government-wide and fund financial statements -**

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government and its component unit. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

#### **C. Measurement focus, basis of accounting and financial statement presentation -**

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year they are intended to finance (the December 2004 levy in 2005). Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Agency funds, a type of fiduciary fund, are unlike all other types of funds, reporting only assets and liabilities. Therefore, agency funds cannot be said to have a measurement focus. They do, however, use the accrual basis of accounting to recognize receivables and payables.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgment are recorded only when payment is due.

# CHARTER TOWNSHIP OF PORT HURON, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2006

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (cont'd):

State shared revenue, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and therefore have been recognized as revenues of the current fiscal period. Property taxes, which are levied and collected in December of each year, are budgeted and treated as revenue in the subsequent year. All other revenue items are considered to be measurable and available only when cash is received by the Township.

The Township reports the following major governmental funds:

**General Fund** – is the Township’s primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

**Road Fund** – is a special revenue fund used to account for taxes and other related revenue restricted for road improvements in the Township.

**Police Fund** – is a special revenue fund used to account for a taxes and other related revenue for the purpose of providing police protection for the Township.

**Transportation Fund** – is used to account for the taxes and other related revenue and cost of providing transportation services.

**Fire Fund** – is a special revenue fund used to account for a taxes and other revenues for the purpose of providing fire protection for the Township.

The Township reports the following major proprietary fund:

**Water Fund** – is used to account for the purchase and distribution of water to residential and commercial users.

**Sewer Fund** – is used to account for sanitary sewer services provided to residential and commercial users.

**Refuse Fund** – is used to account for the operation and activities of garbage collection.

Additionally, the Township reports the following fund types:

**Special Revenue Funds** – are funds used to account for the proceeds of specific revenue sources requiring separate accounting because of legal or regulation provisions or administrative actions.

**Agency Funds** – are used account for assets held by the Township as an agent for other governments and other funds.

Private sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for this business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

# CHARTER TOWNSHIP OF PORT HURON, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2006

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (cont'd):

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenue and expenses for nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary funds principle on-going operations. The principle operating revenues of the Enterprise Fund are charges to customers for sale and services, administrative expense, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Township's policy to use restricted resources first, the unrestricted resources, as they are needed.

#### **D. Assets, Liabilities and Net Assets or Equity -**

##### **Deposits and Investments –**

The Township's cash and cash equivalents are considered to be cash on hand and demand deposits. The investment trusts have the general characteristics of demand deposit accounts in that the Township may deposit additional cash at any time and effectively may withdraw cash at any time without prior notice or penalty, and are reported as cash and cash equivalents.

Investments are stated at fair value, which is determined as follows: (a) short-term investments are reported at cost, which approximates fair value; (b) securities traded on national or international exchanges are valued at the last reported sales price at current exchange rates; (c) investments that do not have established market values are reported at estimated fair value; and (d) cash deposits are reported at carrying amount which reasonable approximates fair value.

State statutes authorize the Township to deposit in the accounts of federally insured banks, credit unions, and savings and loan associations, and to invest in obligations of the U.S. Treasury, certain commercial paper, repurchase agreements, bankers acceptances, and mutual funds composed of otherwise legal investments (except those with a fluctuating per share value).

##### **Receivables and Payables –**

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

# CHARTER TOWNSHIP OF PORT HURON, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2006

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (cont'd):

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All trade and property tax receivables are shown net of an allowance for uncollectible.

#### **Prepaid Items –**

Certain payments to vendors reflect costs applicable to further accounting periods and are recorded as prepaid items.

#### **Property Tax Calendar –**

The Township's property tax is levied each December 1 on the taxable value of property located in the Township as if the proceeding December 31. Property taxes are recognized as revenues in the year they were intended to finance (the 2005 levy is recognized in 2006).

The Township also collects taxes for various other municipalities and school districts. The collection and remittance of these taxes are accounted for in the Tax Collection Fund.

#### **Capital Assets –**

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Township as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of a year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

As permitted by GASB Statement No. 34, the Township has elected not to report governmental infrastructure assets (principally roads and sidewalks) acquired prior to January 1, 2004, except in the Downtown Development Authority.

Property, plant, and equipment of the primary government, is depreciated using the straight line method over the following estimated useful lives:

	Primary Government	Component Unit
Land improvements	20-30 years	- years
Buildings and improvements	5-50	-
Utility systems	40-60	-
Machinery and equipment	5-20	-
Shared street improvements	-	20
Storm Sewers	-	60
Street Lighting	-	60

# **CHARTER TOWNSHIP OF PORT HURON, MICHIGAN**

## **NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2006**

### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (cont'd):**

#### **Compensated Absences –**

The Township does not allow employees to accumulate vacation or sick time from year-to-year.

#### **Long-Term Obligations –**

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statements of net assets. Bond premiums and discounts, as well as issuance costs, if significant, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financial uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

#### **Fund Equity –**

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

#### **Estimates –**

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

### **NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY:**

#### **Budgetary Information –**

The Township Supervisor and the Clerk prepare and submit the proposed operating budgets for the year commencing January 1. The budgets include proposed expenditures and resources to finance them.

# CHARTER TOWNSHIP OF PORT HURON, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2006

### NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY – (cont'd):

Prior to December 31, the proposed budget is presented to the Township Board. The Board holds a public hearing and may add to, subtract from, or change appropriations. The budget is then legally enacted through the passage of a Township Resolution. After the budget is adopted, all amendments must be approved by the Township Board.

The Township's approved budgets were adopted at the activity (department) level in the General Fund and the total expenditure level for the Special Revenue Fund. However, for control purposes all budgets are maintained at the object (account) level. These are the legally enacted levels under the State of Michigan Uniform Budgeting and Accounting Act.

The Township does not employ encumbrance accounting as an extension of formal budgetary integration. All annual appropriations lapse at year-end.

Michigan Public Act 621 of 1978, Section 18, as amended, provides that a local governmental unit shall not incur expenditures in excess of the amount appropriated.

During the fiscal year ended December 31, 2006, the Township incurred expenditures in the General and Special Revenue Funds, which were in excess of the amount appropriated as follows:

<u>Function/Activity</u>	<u>Total Appropriations</u>	<u>Amount Expended</u>	<u>Budget Variance</u>
Primary Government -			
General Fund –			
General Government –			
Supervisor	\$ 58,140	\$ 58,358	\$ 218
Planning Commission	48,425	48,435	10
Public Safety –			
Demolitions	16,350	23,230	6,880
Public Works –			
Drains	5,580	5,868	288
Debt Service	123,200	149,012	25,812
Transfer Out	426,255	622,281	196,026
Road Fund –			
Public Works	248,000	641,894	393,894
Fire Fund –			
Public Safety	549,770	757,919	208,149
Liquor Control Fund –			
Transfer Out	2,000	2,730	730
Blue Water Area Transportation Fund –			
Public Works	160,000	180,736	20,736
Component Units -			
Downtown Development Authority –			
Public Works	614,600	863,508	248,908
Brownfield Development Authority –			
Public Works	7,200	48,941	41,741

#### Other-

The Brownfield Development Authority had a deficit of \$41,278 at December 31, 2006.

# CHARTER TOWNSHIP OF PORT HURON, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2006

### NOTE 3 - DEPOSITS AND INVESTMENTS:

As of December 31, 2006, the carrying amount of the deposits and investments is as follows:

	Primary Government	Fiduciary Funds	Component Units	Total
Deposits -				
Cash on hand -				
Petty Cash	\$ 2,120	\$ -	\$ -	\$ 2,120
Deposits with Financial Institutions -				
Checking/Money Market	4,395	-	-	4,395
Savings/Certificates of Deposit	<u>1,088,287</u>	<u>-</u>	<u>1,000,000</u>	<u>2,088,287</u>
Total Deposits	1,094,802	-	1,000,000	2,094,802
Investments -				
Investment Trust Funds	<u>8,415,497</u>	<u>3,114,795</u>	<u>507,486</u>	<u>12,037,778</u>
	<u>\$ 9,510,299</u>	<u>\$ 3,114,795</u>	<u>\$ 1,507,486</u>	<u>\$14,132,580</u>
Reconciliation To Combined Balance Sheet				
Reported as Cash and Cash Equivalents -				
Petty Cash	\$ 2,120	\$ -	\$ -	\$ 2,120
Cash in Checking/Money Market	4,395	-	-	4,395
Cash in Savings/Certificate of Deposits	83,287	-	-	83,287
Investment Trust Funds	<u>8,415,497</u>	<u>3,114,795</u>	<u>507,486</u>	<u>12,037,778</u>
Total Cash and Cash Equivalents	8,505,299	3,114,795	507,486	12,127,580
Reported as Investments -				
Certificates of Deposits	<u>1,005,000</u>	<u>-</u>	<u>1,000,000</u>	<u>2,005,000</u>
	<u>\$ 9,510,299</u>	<u>\$ 3,114,795</u>	<u>\$ 1,507,486</u>	<u>\$14,132,580</u>

### Deposits –

The Township's investment policy and Act 217 PA 1982, as amended, authorizes the Township to deposit in certificates of deposit, savings accounts, depository accounts or depository receipts of a state or nationally chartered bank or a state or federally chartered savings and loan association, savings bank or credit union whose deposits are insured by an agency of the United States government and which maintains a principal office or branch office located in this State under the laws of this State or the United States, but only if the bank, savings and loan association, savings bank or credit union is eligible to be a depository of surplus funds belonging to the State under Section 5 or 6 of Act 105 of the Public Acts of 1855, as amended, being section 21.145 and 21.146 of the Michigan Compiled Laws.

Federal Deposit Insurance Corporation (FDIC) regulations provide that deposits of governmental units are to be separately insured for the amount of \$100,000 for deposits in an insured institution for savings and demand deposits. Furthermore, if specific deposits are regulated by statute or bond indenture, these specific deposits are to be separately insured for the amount of \$100,000.

As of December 31, 2006, the bank balance of the Township's deposits were \$2,959,173, of which \$388,287 was FDIC insured with the balance \$2,570,886 exposed to credit risk because they are uninsured and uncollateralized.

# CHARTER TOWNSHIP OF PORT HURON, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2006

### NOTE 3 – DEPOSITS AND INVESTMENTS – (cont'd):

The Township's investment policy primary objectives, in order of priority, are safety liquidity, diversification and return on investment. The Township Treasurer is responsible for the investment program.

#### **Investments –**

Act 20 PA 1994 as amended by Act 1997 PA 1999 authorizes the Township to invest surplus funds in bonds, securities and other direct obligations or repurchase agreements consisting of these financial instruments of the United States government or an agency or instrumentality of the United States; bankers' acceptance of United States banks; commercial paper rated within the two highest classifications by not less than two standard rating services, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or any of the political subdivisions that at the time of purchase are rated as investment grades by not less than one standard rating service, mutual funds registered under the investment company Act of 1940, with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation, investment pools through an interlocal agreement under the Urban Cooperation Act of 1967, investment pools organized under the Surplus Funds Investment Pool Act, 1982 PA 3657, 129.111 to 129.118; investment pools organized under the local government Investment Pool Act, 1985 PA 121, MCL 129.141 to 129.150.

As of December 31, 2006, the Township held investments in the following investment trust, which invested primarily in securities of the U.S. Government or its agencies, certificates of deposit, commercial paper, banker acceptance, etc:

<u>Account Name</u>	<u>Fair Market Value</u>	<u>Rating</u>	<u>Weighted Average Maturity</u>
Bank One –			
Governmental Operating Money Market	<u>\$ 12,037,778</u>	Not Rated	13 days
Certificates of Deposit	<u>\$ 2,005,000</u>		< 1 year

The investment trust has been reported in the financial statements as a cash equivalent since it has the general characteristics of demand deposit accounts in that the Township may deposit additional cash at any time and effectively may withdraw cash at any time without prior notice or penalty.

***Custodial Credit Risk*** – is the risk that in the event of a bank failure, the Township's deposit or investments may not be returned. The Township investment policy does not address credit risk.

***Interest Rate Risk*** – is the risk that in the event that the market value of securities in the Township portfolio will fall due to changes in the market interest increases. The Township attempts to minimize interest rate by maintaining liquidity to meet all operating requirements without the need to sell securities prior to maturity and investing operating funds primarily in short-term securities, money markets mutual funds, or similar public investment pools.

***Credit Risk*** – is the risk that in an issuer or other counterparty to an investment will not fulfill its obligation. State laws and Township policy limit the types of investments the Township can purchase.

***Concentration of Credit Risk*** – is the risk of loss attributed to the magnitude of the Township's investment in a single issuer. The Township's policy specifies that investments will be diversified by security type and institution in order that potential losses on individual securities do not exceed the income generated from the remainder of the portfolio, to the extent practicable.

# CHARTER TOWNSHIP OF PORT HURON, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2006

### NOTE 4 –TAXES:

The Township property taxes are levied each December on the assessed valuation of the property located in the Township as of the preceding December 31. On December 1, the property tax attachment is an enforceable lien on property and is payable by the last day of the following February.

Assessed values are established annually by the Township and are equalized by the State at an estimated percentage of the current market value. Real and personal property in the Township for the 2006 and 2005 levies have State Equalized Value (SEV) of \$307,685,750 and \$295,219,250, respectively, and a taxable value of \$267,551,549 and \$256,172,815, respectively.

The 2005 Levy, (2006 Revenue), the Township levied 1.0 mill for General Operations, .9873 mill for Road Repairs, .4935 mill for Fire Protection, .7617 mill for Public Bus Transportation, 1.8 mill for Police Protection and 1.0 mill for Sewer. In addition, the Component Unit, Downtown Development Authority captures the increase in taxable value of property within the DDA District.

Taxes that are collected by the Township from the date of the levy to December 31 are retained in the Current Tax Collection Fund.

The County of St. Clair has established a Tax Collection Revolving Fund whereby all local units of government are paid for the delinquent real property taxes each year.

### NOTE 5 - RECEIVABLES:

Receivables in the governmental and business-type activities are as follows:

	Governmental Activities	Business-Type Activities
Taxes	\$ 1,639,370	\$ -
Special Assessments	48,342	379,495
Accounts and Interest	173,145	1,042,113
Intergovernmental	233,137	-
Due From Fiduciary Funds	<u>135,853</u>	<u>163,488</u>
	<u>\$ 2,229,847</u>	<u>\$ 1,585,096</u>

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not earned or are received in advance of the period they are intended to finance. At the end of the current fiscal year the component of deferred revenue and unearned revenue reported in the governmental funds was as follows:

Governmental Type Activities -	Unavailable	Unearned
General Fund -		
Property Taxes	\$ -	\$ 671,430
Special Assessments	<u>7,614</u>	<u>-</u>
	<u>7,614</u>	<u>671,430</u>
Road Fund –		
Property Taxes	-	256,331
Special Assessments	<u>24,115</u>	<u>-</u>
	<u>24,115</u>	<u>256,331</u>

# CHARTER TOWNSHIP OF PORT HURON, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2006

### NOTE 5 – RECEIVABLES – (cont'd):

	<u>Unavailable</u>	<u>Unearned</u>
Police Fund – Property Taxes	_____ -	_____ 461,403
Park Fund – Tower Lease	_____ -	_____ 11,400
Fire Fund – Property Taxes	_____ -	_____ 128,154
Blue Water Area Transportation Fund – Property Taxes	_____ -	_____ 195,234
Total Governmental Activities	31,729	1,723,952
<b>Business Type Activities -</b>		
Refuse Fund – Refuse Fees	_____ -	_____ 88,097
	<u>\$ 31,729</u>	<u>\$ 1,812,049</u>

### NOTE 6 - INTERFUND RECEIVABLE, PAYABLE AND TRANSFERS:

The composition of interfund balances as of December 31, 2006:

#### Due To/From Other Funds –

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Fire Fund	\$ 419,060
	Road Fund	9,979
	Park Fund	38,043
	Cemetery Fund	2,506
	Fishing Derby Fund	1,264
	Liquor Fund	10
	Sewer Fund	45,108
	Water Fund	30,069
	Refuse Fund	548
	Tax Fund	82,818
Police Fund	General Fund	86,099
Cemetery Fund	Park Fund	1,403
	Museum Fund	723
	Perpetual Care Fund	397
Road Fund	Tax Fund	3,974

# CHARTER TOWNSHIP OF PORT HURON, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2006

### NOTE 6 - INTERFUND RECEIVABLE, PAYABLE AND TRANSFERS – (cont'd):

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Fishing Derby Fund	Park Fund	\$ 187
Museum Fund	General Fund	142
Building Inspection Fund	General Fund	56,646
Water Fund	Museum Fund	6,275
	Tax Fund	106,435
Sewer Fund	Water Fund	140,086
	Tax Fund	91,760
Refuse Fund	Water Fund	47,168
	Tax Fund	34,743
Other Tax Collection Fund	General Fund	<u>20,389</u>
		<u>\$ 1,225,832</u>

### Due From/To Primary Government and Component Units –

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Downtown Development Authority	\$ 19,058
	Brownfield Development Authority	41,420
	Economic Development Corporation	21,573
Building Inspection Fund	Brownfield Development Authority	1,200
Sewer Fund	Downtown Development Authority	204,599
Downtown Development Authority	General Fund	20,680
	Current Tax Fund	<u>17,787</u>
		<u>\$ 326,317</u>

### Transfers From/To Primary Government and Component Units –

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
<b>Primary Government –</b>		
General Fund	Park Fund	\$ 15,000
Police Fund	Liquor Fund	2,730
Cemetery Fund	Perpetual Care Fund	985
Fishing Derby Fund	Park Fund	1,000
Fire Fund	General Fund	495,218
Sewer Fund	General Fund	<u>125,807</u>
Total Transfers		<u>\$ 640,740</u>
<b>Component Unit –</b>		
Brownfield Development Authority	General Fund	<u>\$ 1,256</u>

# CHARTER TOWNSHIP OF PORT HURON, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2006

### NOTE 7 – CAPITAL ASSETS:

#### Primary Government

Capital asset activity of the primary government for the year ended December 31, 2006 was as follows:

	Jan. 1, 2006 Balance	Additions	Deletions/ Adjustments	Dec. 31, 2006 Balance
<b>Governmental activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 768,031	\$ -	\$ -	\$ 768,031
Works of Art	-	16,000	-	16,000
	<u>768,031</u>	<u>16,000</u>	<u>-</u>	<u>784,031</u>
Capital assets, being depreciated:				
Land improvements	692,075	132,039	-	824,114
Shared road system	100,507	344,017	-	444,524
Buildings and improvements	1,506,565	10,406	-	1,516,971
Machinery and equipment	<u>1,056,942</u>	<u>214,292</u>	<u>34,476</u>	<u>1,236,758</u>
Total capital assets being depreciated	<u>3,356,089</u>	<u>700,754</u>	<u>34,476</u>	<u>4,022,367</u>
Less accumulated depreciation for:				
Land improvements	259,950	37,845	-	297,795
Shared road system	-	22,226	-	22,226
Building and improvements	745,171	33,738	-	778,909
Machinery and equipment	<u>640,559</u>	<u>78,980</u>	<u>10,876</u>	<u>708,663</u>
Total accumulated depreciation	<u>1,645,680</u>	<u>172,789</u>	<u>10,876</u>	<u>1,807,593</u>
Total capital assets being depreciated, net	<u>1,710,409</u>	<u>527,965</u>	<u>23,600</u>	<u>2,214,774</u>
Governmental activities capital assets, net	<u>\$ 2,478,440</u>	<u>\$ 543,965</u>	<u>\$ 23,600</u>	<u>\$ 2,998,805</u>
<b>Business Type Activities:</b>				
Capital assets, not being depreciated:				
Construction in progress	\$ 637,324	\$ 786,272	\$ 637,324	\$ 786,272
Land	<u>82,062</u>	<u>-</u>	<u>-</u>	<u>82,062</u>
	<u>719,386</u>	<u>786,272</u>	<u>637,324</u>	<u>868,334</u>
Capital assets, being depreciated:				
Land Improvements	-	139,106	-	139,106
Mains and extensions	23,389,892	1,004,944	91,806	24,486,642
Equipment	<u>707,908</u>	<u>65,930</u>	<u>( 91,806)</u>	<u>682,032</u>
Total capital assets being depreciated	<u>24,097,800</u>	<u>1,209,980</u>	<u>-</u>	<u>25,307,780</u>
Less accumulated depreciation for:				
Land Improvements	-	3,478	-	3,478
Mains and extensions	7,996,245	454,088	-	8,450,333
Equipment	<u>328,272</u>	<u>51,899</u>	<u>-</u>	<u>380,171</u>
Total accumulated depreciation	<u>8,324,517</u>	<u>509,465</u>	<u>-</u>	<u>8,833,982</u>
Total capital assets being depreciated, net	<u>15,773,283</u>	<u>700,515</u>	<u>-</u>	<u>16,473,798</u>
Business-type activities capital assets, net	<u>\$ 16,492,669</u>	<u>\$ 1,486,787</u>	<u>\$ 637,324</u>	<u>\$ 17,342,132</u>

# CHARTER TOWNSHIP OF PORT HURON, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2006

### NOTE 7 – CAPITAL ASSETS – (cont'd):

#### Discretely Presented Component Units –

Downtown Development Authority – Activity for the Downtown Development Authority for the year ended December 31, 2006 was as follows:

	Jan. 1, 2006 Balance	Additions	Deletions	Dec. 31, 2006 Balance
Capital assets, being depreciated:				
Shared street improvements	\$ 200,409	\$ 669,718	\$ -	\$ 870,127
Storm sewer	6,663,223	50,547	-	6,713,770
Street lighting	446,358	-	-	446,358
	<u>7,309,990</u>	<u>720,265</u>	<u>-</u>	<u>8,030,255</u>
Less accumulated depreciation for:				
Shared street improvements	10,020	21,752	-	31,772
Storm sewer	666,322	112,319	-	778,641
Street lighting	7,439	7,439	-	14,878
	<u>683,781</u>	<u>141,510</u>	<u>-</u>	<u>825,291</u>
Downtown Development Authority capital assets, net	<u>\$ 6,626,209</u>	<u>\$ 578,755</u>	<u>\$ -</u>	<u>\$ 7,204,964</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
General Government	\$ 46,272
Public Safety	63,138
Public Works	33,089
Recreation and Culture	<u>30,290</u>
Total depreciation expense-governmental activities	<u>\$ 172,789</u>
Business-type activities:	
Water	\$ 170,773
Sewer	<u>338,692</u>
Total depreciation expense – business activities	<u>\$ 509,465</u>
Component Units	
Capital assets, being depreciated:	<u>\$ 141,510</u>

# CHARTER TOWNSHIP OF PORT HURON, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2006

### NOTE 8 – LONG-TERM DEBT:

#### Primary Government -

The following is a summary of changes in the long-term debt (including current portion) of the Township for the year ended December 31, 2006:

	Balance Jan. 1, 2006	Additions	Reductions	Balance Dec. 31, 2006	Due Within One Year
<u>Governmental Activities -</u>					
Notes Payable – Building	\$ 145,200	\$ -	\$ 145,200	\$ -	\$ -
<u>Business-type Funds -</u>					
General Obligation Bonds -					
1996 Sewage Disposal System	\$ 145,000	-	70,000	75,000	75,000
2002 Water System	855,000	-	35,000	820,000	35,000
2003 Water System	725,000	-	25,000	700,000	60,000
2004 Sewage Disposal System	870,000	-	30,000	840,000	30,000
2006 Water System	-	975,000	-	975,000	30,000
Revenue Bonds -					
1997 C Revenue Bonds	40,000	-	15,000	25,000	10,000
	<u>2,635,000</u>	<u>975,000</u>	<u>175,000</u>	<u>3,435,000</u>	<u>240,000</u>
Total Primary Government	\$ 2,780,200	\$ 975,000	\$ 320,200	\$ 3,435,000	\$ 240,000

#### Bonds Payable -

#### Sewage Disposal System:

The Charter Township of Port Huron has two Sewage Disposal System General Obligation Bonds issues and one Revenue Bond issue outstanding at December 31, 2006, for which the proceeds were used for construction of a Sewage Collection System.

On March 23, 1989, the Charter Township of Port Huron issued \$270,000 in Special Assessment Refunding Bonds with an average interest rate of 7.290 percent to advance refunding \$442,000 of outstanding 1986 Special Assessment Bonds with an average interest rate of 6.375 percent. The net proceeds of \$264,084 (after payment of \$5,916 in underwriting fees, insurance and other issuance cost) plus an additional \$93,501 of available money and accrued interest was used to retire the 1986 Special Assessment Bonds. The advance refunding resulted in the recognition of an accounting gain of \$85,535 for the year ended December 31, 1989. Also the Township refunded in advance the 1986 Special Assessment Bond to reduce the aggregate debt service payment by \$297,598 over the next 26 years and obtain an economic gain (difference between the present value of debt service payments on the old and new debt) of \$56,876.

# CHARTER TOWNSHIP OF PORT HURON, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2006

### NOTE 8 – LONG-TERM DEBT – (cont'd):

During 1997 the 1989 Special Assessment Refunding Bond was refunded in advance to reduce the interest rate, therefore obtaining an economic gain of \$10,318 (difference between the present value of debt service payments on the old and new debt). The new issue is a Revenue Bond, Series 1997 dated October 16, 1997.

It is the intention of the Township to pay the Sewage Disposal System Bonds from special assessments, capital charges, and quarterly service charges against benefited customers and to the extent necessary from an at-large tax levy.

The Sewage Disposal System General Obligation Bonds, dated December 1, 1996, (Original Issue \$600,000) May 1, 2007, with interest of 5.10 percent due.	\$ 75,000
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The Series 1997C Revenue Sharing Bonds dated October 16, 1997, (original issue \$145,000) are due in annual installments ranging from \$5,000 to \$10,000 through November 1, 2009, with interest of 7.50 payable semi-annually.	25,000
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The Sewage Disposal System General Obligation Bonds, dated November 1, 2004, (original issue \$900,000) are due in annual installments ranging from \$35,000 to \$70,000 through November 1, 2024, with interest ranging from 3.10 to 4.60 payable semi-annually.	<u>840,000</u>
	<u>\$ 940,000</u>

### Water Supply System:

The Charter Township of Port Huron has three General Obligation Bonds issue outstanding at December 31, 2006, from which the proceeds were used for water system improvements and expansion.

The General Obligation Limited Tax Bonds, dated November 4, 2002, (Original Issue \$950,000) are due in annual installments ranging from \$35,000 to \$70,000 through November 1, 2022, with interest ranging from 4.0% to 5.25% payable semi-annually.	\$ 820,000
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# CHARTER TOWNSHIP OF PORT HURON, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2006

### NOTE 8 – LONG-TERM DEBT – (cont'd):

The General Obligation Limited Tax Bonds, dated February 1, 2003 (Original Issue \$750,000) are due in annual installments ranging from \$30,000 to \$55,000 through November 1, 2022, with interest ranging from 3.25% to 5.00% payable semi-annually

\$ 700,000

The General Obligation Limited Tax Bonds, dated April 20, 2006 (original issue \$975,000) are due in annual installments ranging from \$30,000 to \$75,000 through May 1, 2026, with interest ranging from 4.00% to 5.00% payable semi-annually

975,000

\$ 2,495,000

### Annual Debt Requirements:

The annual requirements to pay the debt outstanding at December 31, 2006 are as follows:

Year	General Obligation Bonds		Revenue Bonds	
	Principal	Interest	Principal	Interest
2007	\$ 230,000	\$ 162,526	\$ 10,000	\$ 1,875
2008	125,000	140,883	10,000	1,125
2009	140,000	136,202	5,000	375
2010	145,000	130,923	-	-
2011	150,000	125,385	-	-
2012-2016	865,000	527,062	-	-
2017-2021	1,100,000	314,275	-	-
2022-2026	<u>655,000</u>	<u>68,175</u>	<u>-</u>	<u>-</u>
	<u>\$ 3,410,000</u>	<u>\$1,605,431</u>	<u>\$ 25,000</u>	<u>\$ 3,375</u>

### COMPONENT UNITS (Downtown Development Authority) -

The following is a summary of changes in the long-term debt (including current portion) of the Component Unit of the Township for the year ended December 31, 2006:

	Balance Jan. 1, 2006	Additions	Reductions	Balance Dec. 31, 2006	Due Within One Year
<b>Bonds Payable -</b>					
1997 Downtown Development Bonds	\$ 1,000,000	\$ -	\$ -	\$ 1,000,000	\$ -
1998 Downtown Development Refunding Bonds	<u>2,505,000</u>	<u>-</u>	<u>545,000</u>	<u>1,960,000</u>	<u>585,000</u>
	<u>\$ 3,505,000</u>	<u>\$ -</u>	<u>\$ 545,000</u>	<u>\$ 2,960,000</u>	<u>\$ 585,000</u>

# CHARTER TOWNSHIP OF PORT HURON, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2006

### NOTE 8 – LONG-TERM DEBT – (cont'd):

On December 22, 1997 the Township issued \$1,000,000 in State Sharing Revenue Bonds for the purpose of acquiring, constructing and furnishing improvements in the Downtown Development Area of the Township. The bonds are issued in anticipation of the collection of, and are primarily payable from the tax increment revenue. In addition, if the tax increment revenues are insufficient for any reason, the Township shall make such payments from its General Fund. The bonds are due in annual installments ranging from \$125,000 to \$200,000 through November 1, 2015, with interest ranging from 5.0 to 5.3 percent payable semi-annually. Principal payments begin on November 1, 2010.

\$ 1,000,000

On June 2, 1998 the Township issued \$4,085,000 in General Obligation Limited Tax Refunding Bonds to advance refund a portion of the 1994 General Obligation Bonds, dated December 1, 1994, of \$3,600,000. The net proceeds after deducting issuance cost were deposited in an escrow account and used to purchase U.S. Government Securities. Accordingly, the trust account assets and liabilities of the defeased bond issue are not included in the Township's financial statements. At December 31, 2006, \$1,900,000 of the debt "in substance" remains outstanding. The advance refunding resulted in an economic gain (difference between present value of the debt service payments on the old and new debt) of \$133,430. The bonds are due in annual installments of \$585,000 to \$730,000 through May 1, 2009, with interest ranging between 4.55 to 4.65 percent, payable semi-annually.

1,960,000

\$ 2,960,000

### Annual Debt Requirements –

The annual requirements to pay the debt outstanding for the Downtown Development Authority are as follows:

Year	1997 Bonds		1998 Bonds	
	Principal	Interest	Principal	Interest
2007	\$ -	\$ 51,850	\$ 585,000	\$ 76,924
2008	-	51,850	645,000	48,780
2009	-	51,850	730,000	16,973
2010	125,000	51,850	-	-
2011	125,000	45,600	-	-
2012-2015	750,000	82,425	-	-
	<u>\$1,000,000</u>	<u>\$ 335,425</u>	<u>\$ 1,960,000</u>	<u>\$ 142,677</u>

# **CHARTER TOWNSHIP OF PORT HURON, MICHIGAN**

## **NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2006**

### **NOTE 9 - SEWAGE DISPOSAL SYSTEM AGREEMENT:**

The Charter Township of Port Huron does not own a sewage disposal plant; however the Township entered into an agreement with the City of Port Huron to acquire sewage disposal services. The agreement provides, among other things, that the City shall reserve 13.35% of its sewage plant capacity for the Township for which the Township has made a lump sum payment. Further, the Township shall reimburse the City for its respective share of the annual operating costs, including capital purchases and debt retirement.

In connection, the City of Port Huron has issued \$10,220,000 of bonds to make improvements and renovations to the plant. As noted above, the cost to repay these bonds are included in the annual operation cost from the City. Should the Township terminate the contract, the Township would be responsible for their share of the outstanding bonds, which at December 31, 2006, would amount to \$1,200,165.

### **NOTE 10 - WATER SUPPLY SYSTEM AGREEMENT:**

The Charter Township of Port Huron does not own a water filtration plant; instead the Township has entered into an agreement with the City of Port Huron to provide the Township's water supply. Under an agreement, dated December 31, 1987, the Township agreed to purchase its present and future water requirements from the City of Port Huron. The agreement is for an indefinite period of time but at least for a period of thirty years from April 1, 1991, at such rates as the City may establish and is reasonable, plus a meter service charge.

### **NOTE 11 – DEFINED CONTRIBUTION PENSION PLAN:**

The Township provides pension benefits to substantially all full-time employees through a deferred contribution plan. In a deferred contribution plan, benefits depend solely on amounts contributed to the plan plus any investment earnings. The Township contributes 10% of the employee's base compensation. In addition, each employee can make non-deductible, voluntary contributions of up to 10% of base compensation. All contributions, both employer and employee, become 100% vested at the time of the contribution.

For the year ended December 31, 2006, the Township contributed \$70,650, and the employees contributed \$15,594.

### **NOTE 12 – RESTRICTED ASSETS:**

The restricted assets of \$21,285 in the Cemetery Perpetual Care Fund are for perpetual care. The restricted assets of \$4,573,452 in the Sewer Fund are for capital improvements/debt retirement.

**CHARTER TOWNSHIP OF PORT HURON, MICHIGAN**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2006**

**NOTE 13 - RESERVED/DESIGNATED FUND BALANCE/RETAINED EARNINGS:**

**Reserved Fund Balance/Retained Earnings -**

Fund Balance/Retained Earnings has been reserved in the various fund types to indicate that a portion of the Fund Balance/Retained Earnings is not available but reserved for specific purposes:

<u>Fund Type/Fund</u>	<u>Description</u>	<u>Amount</u>
Fund Balance -		
General Fund	Prepaid Expenditures	\$ 12,458
Park Fund	County Millage	167,751
Cemetery Perpetual Care Fund	Perpetual Care	20,888
Building Inspection Fund	Prepaid Expenditures	1,462
Fire Fund	Prepaid Expenditures	<u>8,661</u>
		<u>\$ 211,220</u>
Retained Earnings -		
Sewer Fund	Bond Retirement/Construction	<u>\$ 4,545,549</u>

**NOTE 14 – RISK MANAGEMENT:**

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions, injuries to employees, medical benefits provided to employees, etc. The Township has purchased insurance coverage for each of these types of losses; however, the Township would be responsible should the limit of coverage's be exceeded.

## **REQUIRED SUPPLEMENTARY INFORMATION**

**CHARTER TOWNSHIP OF PORT HURON****St. Clair County, Michigan****GENERAL FUND****SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE****BUDGET AND ACTUAL****FOR THE YEAR ENDED DECEMBER 31, 2006**

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Positive (Negative)
<b>Revenues:</b>				
Taxes	\$ 387,500	\$ 387,500	\$ 411,213	\$ 23,713
Licenses and permits	2,500	2,500	4,950	2,450
Intergovernmental	631,000	631,000	629,380	( 1,620)
Charges for services	134,600	134,600	120,030	( 14,570)
Fines and forfeits	300	300	1,488	1,188
Interest and rent	77,100	77,100	224,654	147,554
Other revenues	32,000	32,000	22,237	( 9,763)
Total Revenues	<u>1,265,000</u>	<u>1,265,000</u>	<u>1,413,952</u>	<u>148,952</u>
<b>Expenditures:</b>				
General Government -				
Legislative	169,015	156,190	150,124	6,066
Supervisor	58,140	58,140	58,358	( 218)
Superintendent	71,200	-	-	-
Elections	22,550	19,750	17,694	2,056
Assessor	113,780	113,280	103,625	9,655
Clerk	71,500	67,500	63,448	4,052
Board of Review	3,200	3,200	1,634	1,566
Treasurer	133,350	126,350	121,493	4,857
Township Hall	35,800	35,800	29,750	6,050
Rental Property	11,100	1,150	566	584
Planning Commission	34,575	48,425	48,435	( 10)
	<u>724,210</u>	<u>629,785</u>	<u>595,127</u>	<u>34,658</u>
Public Safety -				
Demolitions	<u>7,300</u>	<u>16,350</u>	<u>23,230</u>	<u>( 6,880)</u>
Public Works -				
Department of Public Works	88,190	115,025	110,129	4,896
Street Lights	74,000	94,000	91,751	2,249
Drains	1,500	5,580	5,868	( 288)
	<u>163,690</u>	<u>214,605</u>	<u>207,748</u>	<u>6,857</u>

Continued

# CHARTER TOWNSHIP OF PORT HURON

St. Clair County, Michigan

## GENERAL FUND

### SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

#### BUDGET AND ACTUAL

FOR THE YEAR ENDED DECEMBER 31, 2006

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Positive (Negative)
<b>Expenditures - (cont'd):</b>				
Recreation and Cultural - Parks and Recreation	\$ 37,500	\$ 37,500	\$ 31,601	\$ 5,899
Debt Service	-	123,200	149,012	( 25,812)
Total Expenditures	932,700	1,021,440	1,006,718	14,722
Excess of revenues over expenditures	332,300	243,560	407,234	163,674
<b>Other Financing Sources (Uses):</b>				
Transfers In	19,000	19,000	15,000	( 4,000)
Transfers Out	( 474,800)	( 426,255)	( 622,281)	( 196,026)
	( 455,800)	( 407,255)	( 607,281)	( 200,026)
Excess of revenues and other sources under expenditures and other uses	( 123,500)	( 163,695)	( 200,047)	( 36,352)
Fund Balance at beginning of year	2,661,750	2,661,750	2,661,750	-
Fund Balance at end of year	\$ 2,538,250	\$ 2,498,055	\$ 2,461,703	\$ ( 36,352)

Concluded

**CHARTER TOWNSHIP OF PORT HURON****St. Clair County, Michigan****ROAD FUND****SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE****BUDGET AND ACTUAL****FOR THE YEAR ENDED DECEMBER 31, 2006**

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Positive (Negative)
<b>Revenues:</b>				
Taxes	\$ 220,000	\$ 220,000	\$ 237,727	\$ 17,727
Interest	8,000	8,000	34,564	26,564
Other revenues				
Special assessments	20,000	20,000	22,586	2,586
	<u>248,000</u>	<u>248,000</u>	<u>294,877</u>	<u>46,877</u>
<b>Expenditures:</b>				
Public works				
Contracted services	<u>248,000</u>	<u>248,000</u>	<u>641,894</u>	<u>( 393,894)</u>
Excess of revenues under expenditures	-	-	( 347,017)	( 347,017)
Fund Balance at beginning of year	<u>588,246</u>	<u>588,246</u>	<u>588,246</u>	<u>-</u>
Fund Balance at end of year	<u>\$ 588,246</u>	<u>\$ 588,246</u>	<u>\$ 241,229</u>	<u>\$( 347,017)</u>

**CHARTER TOWNSHIP OF PORT HURON**  
**St. Clair County, Michigan**

**POLICE FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED DECEMBER 31, 2006**

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Positive (Negative)
<b>Revenues:</b>				
Taxes	\$ 480,000	\$ 480,000	\$ 434,403	\$( 45,597)
Interest on investment	2,000	2,000	6,592	4,592
	<u>482,000</u>	<u>482,000</u>	<u>440,995</u>	<u>( 41,005)</u>
<b>Expenditures:</b>				
Public Safety -				
Contracted services	<u>482,000</u>	<u>482,000</u>	<u>414,777</u>	<u>67,223</u>
Excess of revenues over expenditures	-	-	26,218	26,218
<b>Other Financing Sources:</b>				
Transfers In	<u>-</u>	<u>-</u>	<u>2,730</u>	<u>2,730</u>
Excess of revenues and other sources over expenditures	-	-	28,948	28,948
Fund Balance at beginning of year	<u>37,857</u>	<u>37,857</u>	<u>37,857</u>	<u>-</u>
Fund Balance at end of year	<u><u>\$ 37,857</u></u>	<u><u>\$ 37,857</u></u>	<u><u>\$ 66,805</u></u>	<u><u>\$ 28,948</u></u>

**CHARTER TOWNSHIP OF PORT HURON****St. Clair County, Michigan****BLUE WATER AREA TRANSPORTATION FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
FOR THE YEAR ENDED DECEMBER 31, 2006**

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Positive (Negative)
<b>Revenues:</b>				
Taxes	\$ 160,000	\$ 160,000	\$ 183,383	\$ 23,383
Interest	5,000	5,000	13,678	8,678
	<u>165,000</u>	<u>165,000</u>	<u>197,061</u>	<u>32,061</u>
<b>Expenditures:</b>				
Public Works - Transportation	<u>160,000</u>	<u>160,000</u>	<u>180,736</u>	<u>( 20,736)</u>
Excess of revenues over expenditures	5,000	5,000	16,325	11,325
Fund Balance at beginning of year	<u>145,611</u>	<u>145,611</u>	<u>145,611</u>	<u>-</u>
Fund Balance at end of year	<u><u>\$ 150,611</u></u>	<u><u>\$ 150,611</u></u>	<u><u>\$ 161,936</u></u>	<u><u>\$ 11,325</u></u>

**CHARTER TOWNSHIP OF PORT HURON**  
**St. Clair County, Michigan**

**FIRE FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**FOR THE YEAR ENDED DECEMBER 31, 2006**

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Positive (Negative)
<b>Revenues:</b>				
Taxes	\$ 122,000	\$ 122,000	\$ 118,816	\$( 3,184)
Intergovernmental -				
Federal/State	-	-	111,879	111,879
Interest	-	-	1,940	1,940
Other	1,500	1,500	33,527	32,027
	<u>123,500</u>	<u>123,500</u>	<u>266,162</u>	<u>142,662</u>
<b>Expenditures:</b>				
Public Safety -				
Salaries and wages			300,223	
Fringe benefits and payroll taxes			111,144	
Supplies			22,800	
Professional fees			504	
Telephone			4,400	
Utilities			9,087	
Printing and publishing			740	
Repairs and maintenance			26,739	
Gasoline and oil			4,261	
Insurance			42,836	
Capital outlay			218,865	
Other			16,320	
	<u>474,800</u>	<u>549,770</u>	<u>757,919</u>	<u>( 208,149)</u>
Excess of revenues under expenditures	( 351,300)	( 426,270)	( 491,757)	( 65,487)
<b>Other Financing Sources:</b>				
Transfers in	<u>351,300</u>	<u>426,270</u>	<u>495,218</u>	<u>68,948</u>
Excess of revenues and other sources over expenditures	-	-	3,461	3,461
Fund Balance at beginning of year	<u>5,200</u>	<u>5,200</u>	<u>5,200</u>	<u>-</u>
Fund Balance at end of year	<u>\$ 5,200</u>	<u>\$ 5,200</u>	<u>\$ 8,661</u>	<u>\$ 3,461</u>

## **SUPPLEMENTARY INFORMATION**

**CHARTER TOWNSHIP OF PORT HURON**  
**St. Clair County, Michigan**

**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**DECEMBER 31, 2006**

		Special Revenue Funds			
		Cemetery	Park	Fishing Derby	Liquor Control
<b>ASSETS</b>					
<b>Current assets -</b>					
Cash and cash equivalents		\$ 8,603	\$ 236,352	\$ 1,670	\$ 2,000
Receivables -					
Due from other governmental units -					
Local		-	8,514	8,514	-
Prepaid expenditures		-	-	-	-
Due from other funds		2,523	-	187	-
Due from component units		-	-	-	-
		<u>11,126</u>	<u>244,866</u>	<u>10,371</u>	<u>2,000</u>
<b>Restricted assets -</b>					
Cash and cash equivalents		-	-	-	-
		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Assets		<u>\$ 11,126</u>	<u>\$ 244,866</u>	<u>\$ 10,371</u>	<u>\$ 2,000</u>
<b>LIABILITIES AND FUND BALANCE</b>					
<b>Liabilities:</b>					
Accounts payable		\$ 125	\$ 2,179	\$ -	\$ -
Accrued liabilities		80	642	-	-
Deposits payable		-	-	-	-
Due to other funds		2,506	39,633	1,264	10
Deferred revenue		-	11,400	-	-
Total Liabilities		<u>2,711</u>	<u>53,854</u>	<u>1,264</u>	<u>10</u>
<b>Fund Balance:</b>					
Reserved -					
Prepaid expenditures		-	-	-	-
County millage		-	167,751	-	-
Perpetual Care		-	-	-	-
Unreserved -					
Undesignated		8,415	23,261	9,107	1,990
Total Fund Balance		<u>8,415</u>	<u>191,012</u>	<u>9,107</u>	<u>1,990</u>
Total Liabilities and Fund Balance		<u>\$ 11,126</u>	<u>\$ 244,866</u>	<u>\$ 10,371</u>	<u>\$ 2,000</u>

		Permanent Fund	
Museum	Building Inspection	Cemetery Perpetual Care	Total
\$ 13,744	\$ 219,378	\$ -	\$ 481,747
-	-	-	17,028
-	1,462	-	1,462
142	56,646	-	59,498
-	1,200	-	1,200
13,886	278,686	-	560,935
-	-	21,285	21,285
\$ 13,886	\$ 278,686	\$ 21,285	\$ 582,220

\$ 60	\$ 1,356	\$ -	\$ 3,720
-	2,651	-	3,373
-	29,812	-	29,812
6,998	-	397	50,808
-	-	-	11,400
7,058	33,819	397	99,113

-	1,462	-	1,462
-	-	-	167,751
-	-	20,888	20,888
6,828	243,405	-	293,006
6,828	244,867	20,888	483,107
\$ 13,886	\$ 278,686	\$ 21,285	\$ 582,220

# CHARTER TOWNSHIP OF PORT HURON

St. Clair County, Michigan

## COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES NONMAJOR GOVERNMENTAL FUNDS FOR THE YEAR ENDED DECEMBER 31, 2006

	Special Revenue Funds			
	Cemetery	Parks	Fishing Derby	Liquor Control
<b>Revenues:</b>				
Licenses and permits	\$ -	\$ -	\$ -	\$ -
Intergovernmental -				
Federal/State	-	-	-	4,978
Local	-	8,514	8,514	-
Charges for services	23,790	113,195	-	-
Interest and rent	1,355	33,315	43	114
Other	-	350	1,225	-
Total Revenues	<u>25,145</u>	<u>155,374</u>	<u>9,782</u>	<u>5,092</u>
<b>Expenditures:</b>				
Current -				
General Government	20,989	-	-	-
Public Safety	-	-	-	1,850
Recreation and Cultural	-	123,490	1,941	-
Total Expenditures	<u>20,989</u>	<u>123,490</u>	<u>1,941</u>	<u>1,850</u>
Excess of revenues over (under) expenditures	<u>4,156</u>	<u>31,884</u>	<u>7,841</u>	<u>3,242</u>
<b>Other Financing Sources (Uses):</b>				
Transfers In	985	-	1,000	-
Transfers Out	-	( 16,000)	-	( 2,730)
	<u>985</u>	<u>( 16,000)</u>	<u>1,000</u>	<u>( 2,730)</u>
Excess of revenues and other sources over (under) expenditures and other uses	5,141	15,884	8,841	512
Fund Balances at beginning of year	<u>3,274</u>	<u>175,128</u>	<u>266</u>	<u>1,478</u>
Fund Balances at end of year	<u>\$ 8,415</u>	<u>\$ 191,012</u>	<u>\$ 9,107</u>	<u>\$ 1,990</u>

		Permanent Fund	
Museum	Building Inspection	Cemetery Perpetual Care	Total
\$ -	\$ 81,829	\$ -	\$ 81,829
-	-	-	4,978
-	-	-	17,028
-	-	-	136,985
1,545	11,930	985	49,287
1,198	2,612	410	5,795
<u>2,743</u>	<u>96,371</u>	<u>1,395</u>	<u>295,902</u>
-	-	-	20,989
-	140,300	-	142,150
33,431	-	-	158,862
<u>33,431</u>	<u>140,300</u>	<u>-</u>	<u>322,001</u>
<u>( 30,688)</u>	<u>( 43,929)</u>	<u>1,395</u>	<u>( 26,099)</u>
-	-	-	1,985
<u>-</u>	<u>-</u>	<u>( 985)</u>	<u>( 19,715)</u>
<u>-</u>	<u>-</u>	<u>( 985)</u>	<u>( 17,730)</u>
( 30,688)	( 43,929)	410	( 43,829)
<u>37,516</u>	<u>288,796</u>	<u>20,478</u>	<u>526,936</u>
<u>\$ 6,828</u>	<u>\$ 244,867</u>	<u>\$ 20,888</u>	<u>\$ 483,107</u>

**CHARTER TOWNSHIP OF PORT HURON**  
**St. Clair County, Michigan**

**CEMETERY FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED DECEMBER 31, 2006**

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Positive (Negative)
<b>Revenues:</b>				
Charges for services -				
Sale of lots/niches	\$ 11,000	\$ 11,000	\$ 12,290	\$ 1,290
Grave openings	10,000	10,000	11,500	1,500
Interest and rent -				
Interest	100	100	105	5
Rent	1,000	1,000	1,250	250
	<u>22,100</u>	<u>22,100</u>	<u>25,145</u>	<u>3,045</u>
<b>Expenditures:</b>				
General Government -				
Salaries and wages			7,875	
Fringe benefits and payroll taxes			602	
Supplies			1,200	
Professional fees			600	
Telephone			420	
Utilities			620	
Printing and publishing			104	
Repairs and maintenance			4,798	
Gasoline and oil			1,296	
Insurance			3,090	
Other			384	
	<u>22,300</u>	<u>22,300</u>	<u>20,989</u>	<u>1,311</u>
Excess of revenues over (under) expenditures	( 200)	( 200)	4,156	4,356
<b>Other Financing Sources:</b>				
Operating transfers in	<u>200</u>	<u>200</u>	<u>985</u>	<u>785</u>
Excess of revenues and other sources over expenditures	-	-	5,141	5,141
Fund Balance at beginning of year	<u>3,274</u>	<u>3,274</u>	<u>3,274</u>	<u>-</u>
Fund Balance at end of year	<u>\$ 3,274</u>	<u>\$ 3,274</u>	<u>\$ 8,415</u>	<u>\$ 5,141</u>

**CHARTER TOWNSHIP OF PORT HURON**  
**St. Clair County, Michigan**

**PARK FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED DECEMBER 31, 2006**

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Positive (Negative)
<b>Revenues:</b>				
Intergovernmental -				
Local	\$ 34,000	\$ 34,000	\$ 8,514	\$( 25,486)
Charges for services -				
Tourist accommodations	100,000	100,000	113,195	13,195
Interest and rent -				
Interest earned	1,500	1,500	6,023	4,523
Rentals	24,500	24,500	27,292	2,792
Other -				
Miscellaneous	1,000	1,000	350	( 650)
	<u>161,000</u>	<u>161,000</u>	<u>155,374</u>	<u>( 5,626)</u>
<b>Expenditures:</b>				
Recreation and Cultural -				
Salaries and wages			39,357	
Fringe benefits and payroll taxes			4,338	
Telephone			354	
Supplies			8,594	
Professional fees			2,536	
Utilities			18,613	
Repairs and maintenance			19,875	
Gasoline			4,091	
Capital outlay			18,040	
Insurance			6,590	
Other			1,102	
	<u>160,000</u>	<u>160,000</u>	<u>123,490</u>	<u>36,510</u>
Excess of revenues over expenditures	<u>1,000</u>	<u>1,000</u>	<u>31,884</u>	<u>30,884</u>
<b>Other Financing Uses:</b>				
Operating transfers out -				
General Fund	-	-	15,000	15,000
Fishing Derby Fund	1,000	1,000	1,000	-
	<u>1,000</u>	<u>1,000</u>	<u>16,000</u>	<u>15,000</u>
Excess of revenues over expenditures and other uses	-	-	15,884	15,884
Fund Balance at beginning of year	<u>175,128</u>	<u>175,128</u>	<u>175,128</u>	<u>-</u>
Fund Balance at end of year	<u>\$ 175,128</u>	<u>\$ 175,128</u>	<u>\$ 191,012</u>	<u>\$ 15,884</u>

**CHARTER TOWNSHIP OF PORT HURON**

**St. Clair County, Michigan**

**FISHING DERBY FUND**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**

**BUDGET AND ACTUAL**

**FOR THE YEAR ENDED DECEMBER 31, 2006**

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Positive (Negative)
<b>Revenues:</b>				
Intergovernmental -				
Local	\$ -	\$ -	\$ 8,514	\$ 8,514
Interest and rent -				
Interest earned	-	-	43	43
Other	3,000	3,000	1,225	( 1,775)
	<u>3,000</u>	<u>3,000</u>	<u>9,782</u>	<u>6,782</u>
<b>Expenditures:</b>				
Recreation and Cultural -				
Supplies	3,000	3,000	1,941	1,059
	<u>3,000</u>	<u>3,000</u>	<u>1,941</u>	<u>1,059</u>
Excess of revenues over				
expenditures	-	-	7,841	7,841
<b>Other Financing Sources:</b>				
Operating transfers in	-	-	1,000	1,000
	<u>-</u>	<u>-</u>	<u>1,000</u>	<u>1,000</u>
Excess of revenues and other sources				
over expenditures	-	-	8,841	8,841
Fund Balance at beginning of year	266	266	266	-
	<u>266</u>	<u>266</u>	<u>266</u>	<u>-</u>
Fund Balance at end of year	\$ 266	\$ 266	\$ 9,107	\$ 8,841
	<u>\$ 266</u>	<u>\$ 266</u>	<u>\$ 9,107</u>	<u>\$ 8,841</u>

**CHARTER TOWNSHIP OF PORT HURON****St. Clair County, Michigan****LIQUOR CONTROL FUND****SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE****BUDGET AND ACTUAL****FOR THE YEAR ENDED DECEMBER 31, 2006**

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Positive (Negative)
<b>Revenues:</b>				
Intergovernmental -				
State	\$ 4,500	\$ 4,500	\$ 4,978	\$ 478
Interest earned	20	20	114	94
	<u>4,520</u>	<u>4,520</u>	<u>5,092</u>	<u>572</u>
<b>Expenditures:</b>				
Public Safety -				
Salaries and wages			1,830	
Miscellaneous			20	
	<u>2,520</u>	<u>2,520</u>	<u>1,850</u>	<u>670</u>
Excess of revenues over expenditures	2,000	2,000	3,242	1,242
<b>Other Financing Uses:</b>				
Operating transfers out	<u>2,000</u>	<u>2,000</u>	<u>2,730</u>	<u>( 730)</u>
Excess of revenues over expenditures and other uses	-	-	512	512
Fund Balance at beginning of year	<u>1,478</u>	<u>1,478</u>	<u>1,478</u>	<u>-</u>
Fund Balance at end of year	<u>\$ 1,478</u>	<u>\$ 1,478</u>	<u>\$ 1,990</u>	<u>\$ 512</u>

**CHARTER TOWNSHIP OF PORT HURON**  
**St. Clair County, Michigan**

**MUSEUM FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED DECEMBER 31, 2006**

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Positive (Negative)
<b>Revenues:</b>				
Interest	\$ 250	\$ 250	\$ 1,545	\$ 1,295
Donations	6,500	6,500	1,198	( 5,302)
	<u>6,750</u>	<u>6,750</u>	<u>2,743</u>	<u>( 4,007)</u>
<b>Expenditures:</b>				
Recreation and Cultural -				
Salaries			1,571	
Fringe benefits and payroll taxes			120	
Supplies			727	
Repairs and Maintenance			11,386	
Capital outlay			15,697	
Other			3,930	
	<u>7,750</u>	<u>33,945</u>	<u>33,431</u>	<u>514</u>
Excess of revenues under expenditures	( 1,000)	( 27,195)	( 30,688)	( 3,493)
Fund Balance at beginning of year	<u>37,516</u>	<u>37,516</u>	<u>37,516</u>	<u>-</u>
Fund Balance at end of year	<u>\$ 36,516</u>	<u>\$ 10,321</u>	<u>\$ 6,828</u>	<u>\$( 3,493)</u>

**CHARTER TOWNSHIP OF PORT HURON**

**St. Clair County, Michigan**

**BUILDING INSPECTIONS FUND**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**

**BUDGET AND ACTUAL**

**FOR THE YEAR ENDED DECEMBER 31, 2006**

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Positive (Negative)
<b>Revenues:</b>				
Licenses and permits -				
Building permits	\$ 85,000	\$ 85,000	\$ 40,768	\$( 44,232)
Electrical permits	35,000	35,000	17,815	( 17,185)
Mechanical permits	25,000	25,000	15,080	( 9,920)
Plumbing permits	18,125	18,125	8,166	( 9,959)
Interest	6,000	6,000	11,930	5,930
Other	3,000	3,000	2,612	( 388)
	<u>172,125</u>	<u>172,125</u>	<u>96,371</u>	<u>( 75,754)</u>
<b>Expenditures:</b>				
Public Safety -				
Salaries			89,992	
Fringe benefits and payroll taxes			33,301	
Telephone			1,662	
Supplies			3,095	
Transportation			582	
Publishing and printing			1,945	
Professional fees			3,648	
Insurance			3,478	
Other			2,597	
	<u>172,125</u>	<u>172,125</u>	<u>140,300</u>	<u>31,825</u>
Excess of revenues under expenditures	-	-	( 43,929)	( 43,929)
Fund Balance at beginning of year	<u>288,796</u>	<u>288,796</u>	<u>288,796</u>	<u>-</u>
Fund Balance at end of year	<u>\$ 288,796</u>	<u>\$ 288,796</u>	<u>\$ 244,867</u>	<u>\$( 43,929)</u>

**CHARTER TOWNSHIP OF PORT HURON**  
**St. Clair County, Michigan**

**COMBINING SCHEDULE OF SEWER FUNDS NET ASSETS**  
**DECEMBER 31, 2006**

	Sewer Operating #570	Sewer Improvement #571	Sewer Debt FMHA #573	Sewer SP Assess #574	Sewer Redemption #576
<b>ASSETS</b>					
<b>Current Assets:</b>					
Cash and cash equivalents	\$ 626,099	\$ -	\$ -	\$ -	\$ -
Receivables -					
Utilities	441,841	-	-	-	-
Special assessments	3,108	-	-	-	-
Due from other funds	256,097	-	-	-	-
Due from component unit	228,831	-	-	-	-
Prepaid expenses	7,160	-	-	-	-
	<u>1,563,136</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Restricted Assets:</b>					
Cash and cash equivalents	-	910,875	266,365	911,191	237,241
Receivables -					
Special assessments/Tap-ins	-	1,937	39,673	-	15,759
Due from other funds	-	1,528,081	32,050	-	37,750
	<u>-</u>	<u>2,440,893</u>	<u>338,088</u>	<u>911,191</u>	<u>290,750</u>
<b>Fixed Assets:</b>					
Construction in progress	28,425	-	-	-	-
Land Improvements	139,106				
Mains and extensions	18,345,427		-	-	-
Equipment	496,259	-	-	-	-
	<u>19,009,217</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Less - accumulated depreciation	( 6,461,326)	-	-	-	-
	<u>12,547,891</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Other Assets:</b>					
Unamortized bond costs	-	-	-	28,210	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>28,210</u>	<u>-</u>
<b>Total Assets</b>	<u>14,111,027</u>	<u>2,440,893</u>	<u>338,088</u>	<u>939,401</u>	<u>290,750</u>
<b>LIABILITIES</b>					
<b>Current Liabilities:</b>					
Accounts payable	7,479	-	-	-	-
Accrued salaries	2,388	-	-	-	-
Deposits	153	-	-	-	-
Due to other governmental units	170,769	-	-	-	-
Due to other funds	321,818	-	-	-	-
	<u>502,607</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Current Liabilities - (Payable from restricted assets):</b>					
Accounts payable	-	-	-	-	-
Bonds payable (current portion)	-	-	10,000	30,000	-
Due to other funds	-	15,000	26,783	36,400	32,487
Due to component units	-	-	11,183	-	-
Accrued interest	-	-	200	5,640	-
	<u>-</u>	<u>15,000</u>	<u>48,166</u>	<u>72,040</u>	<u>32,487</u>
<b>Long Term Liabilities:</b>					
Bonds payable	-	-	15,000	810,000	-
	<u>502,607</u>	<u>15,000</u>	<u>63,166</u>	<u>882,040</u>	<u>32,487</u>
<b>NET ASSETS</b>					
Investment in capital assets, net	12,547,891	-	( 25,000)	( 811,790)	-
Restricted - Debt retirement/construction	-	2,425,893	299,922	869,151	258,263
Unrestricted	<u>1,060,529</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 13,608,420</u>	<u>\$ 2,425,893</u>	<u>\$ 274,922</u>	<u>\$ 57,361</u>	<u>\$ 258,263</u>

1996 Construction #578	1999 San. Sewer #579	Total	Consolidating Adjustments		Final Balance
			Dr	Cr	
\$ -	\$ -	\$ 626,099	\$ 105,873	\$ 156,434	\$ 575,538
-	-	441,841	-	-	441,841
-	-	3,108	-	-	3,108
-	-	256,097	-	120,276	135,821
-	-	228,831	-	24,232	204,599
-	-	7,160	-	-	7,160
-	-	1,563,136	105,873	300,942	1,368,067
961,703	822,020	4,109,395	156,434	105,873	4,159,956
-	260,102	317,471	-	-	317,471
-	19,385	1,617,266	81,642	1,602,883	96,025
961,703	1,101,507	6,044,132	238,076	1,708,756	4,573,452
-	-	28,425	-	-	28,425
-	-	139,106	-	-	139,106
-	-	18,345,427	-	-	18,345,427
-	-	496,259	-	-	496,259
-	-	19,009,217	-	-	19,009,217
-	-	( 6,461,326)	-	-	( 6,461,326)
-	-	12,547,891	-	-	12,547,891
-	-	28,210	-	-	28,210
961,703	1,101,507	20,183,369	343,949	2,009,698	18,517,620
-	-	7,479	-	-	7,479
-	-	2,388	-	-	2,388
-	-	153	-	-	153
-	-	170,769	-	-	170,769
-	-	321,818	306,239	29,529	45,108
-	-	502,607	306,239	29,529	225,897
-	21,425	21,425	-	-	21,425
75,000	-	115,000	-	-	115,000
67,738	1,186,399	1,364,807	1,476,381	111,574	-
13,049	-	24,232	24,232	-	-
638	-	6,478	-	-	6,478
156,425	1,207,824	1,531,942	1,500,613	111,574	142,903
-	-	825,000	-	-	825,000
156,425	1,207,824	2,859,549	1,806,852	141,103	1,193,800
( 75,000)	-	11,636,101	-	-	11,636,101
880,278	( 106,317)	4,627,190	-	-	4,627,190
-	-	1,060,529	-	-	1,060,529
\$ 805,278	\$ (106,317)	\$ 17,323,820	\$ 2,150,801	\$ 2,150,801	\$ 17,323,820

**CHARTER TOWNSHIP OF PORT HURON**  
**St. Clair County, Michigan**

**COMBINING SCHEDULE OF SEWER FUNDS REVENUES, EXPENSES  
AND CHANGES IN NET ASSETS  
DECEMBER 31, 2006**

	Sewer Operating #570	Sewer Improvement #571	Sewer Debt FMHA #573	Sewer SP Assess #574	Sewer Redemption #576
<b>Operating Revenue:</b>					
User charges	\$ 1,135,430	\$ -	\$ -	\$ -	\$ -
Lateral fees	-	-	-	-	-
Other charges	4,125	-	-	-	-
	<u>1,139,555</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Operating Expenses:</b>					
Salaries and wages	99,037	-	-	-	-
Fringe benefits	78,532	-	-	-	-
Supplies	5,078	-	-	-	-
Professional fees	6,861	-	-	-	-
Sewer charges	781,613	-	-	-	-
Repairs and maintenance	25,561	-	-	-	-
Depreciation/amortization	338,692	-	-	1,567	-
Utilities	23,848	-	-	-	-
Other	21,111	-	-	-	-
	<u>1,380,333</u>	<u>-</u>	<u>-</u>	<u>1,567</u>	<u>-</u>
Operating Income (Loss)	<u>( 240,778)</u>	<u>-</u>	<u>-</u>	<u>( 1,567)</u>	<u>-</u>
<b>Non-Operating Revenue (Expenses):</b>					
Property taxes	-	-	-	-	-
Special assessments and tap fees		29,200	-	-	-
Interest earned	51,979	40,165	16,959	42,085	11,865
Interest on bonds	-	-	( 1,784)	( 34,618)	-
	<u>51,979</u>	<u>69,365</u>	<u>15,175</u>	<u>7,467</u>	<u>11,865</u>
<b>Net Income ( Loss) Before Transfers</b>	<u>( 188,799)</u>	<u>69,365</u>	<u>15,175</u>	<u>5,900</u>	<u>11,865</u>
<b>Transfers:</b>					
Transfer in	1,209,981	-	-	64,773	-
Transfers out	-	-	-	( 43,200)	-
	<u>1,209,981</u>	<u>-</u>	<u>-</u>	<u>21,573</u>	<u>-</u>
<b>Net Income (Loss)</b>	<u>1,021,182</u>	<u>69,365</u>	<u>15,175</u>	<u>27,473</u>	<u>11,865</u>
Net Assets at beginning of year	<u>12,587,238</u>	<u>2,356,528</u>	<u>259,747</u>	<u>29,888</u>	<u>246,398</u>
Net Assets at end of year	<u>\$ 13,608,420</u>	<u>\$ 2,425,893</u>	<u>\$ 274,922</u>	<u>\$ 57,361</u>	<u>\$ 258,263</u>

1996 Construction #578	1999 San. Sewer #579	Total	Consolidating Adjustments		Final Balance
			Dr	Cr	
\$ -	\$ 29,400	\$ 1,164,830	\$ -	\$ -	\$ 1,164,830
-	14,900	14,900	-	-	14,900
-	-	4,125	-	-	4,125
-	44,300	1,183,855	-	-	1,183,855
-	-	99,037	-	-	99,037
-	-	78,532	-	-	78,532
-	-	5,078	-	-	5,078
-	3,618	10,479	-	-	10,479
-	-	781,613	-	-	781,613
-	470	26,031	-	-	26,031
-	-	340,259	-	-	340,259
-	-	23,848	-	-	23,848
-	278	21,389	-	-	21,389
-	4,366	1,386,266	-	-	1,386,266
-	39,934	( 202,411)	-	-	( 202,411)
240,792	-	240,792	-	-	240,792
-	117,210	146,410	-	-	146,410
39,704	48,728	251,485	-	-	251,485
( 5,280)	( 225)	( 41,907)	-	-	( 41,907)
275,216	165,713	596,780	-	-	596,780
275,216	205,647	394,369	-	-	394,369
-	-	1,274,754	1,148,947	-	125,807
-	( 1,105,747)	( 1,148,947)	-	1,148,947	-
-	( 1,105,747)	125,807	1,148,947	1,148,947	125,807
275,216	( 900,100)	520,176	1,148,947	1,148,947	520,176
530,062	793,783	16,803,644	-	-	16,803,644
\$ 805,278	\$( 106,317)	\$ 17,323,820	\$ 1,148,947	\$ 1,148,947	\$ 17,323,820

## **FIDUCIARY FUNDS**

**CHARTER TOWNSHIP OF PORT HURON**  
**St. Clair County, Michigan**

**AGENCY FUNDS**  
**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2006**

	Balance January 1, 2006	Additions	Deductions	Balance December 31, 2006
<b>TOTAL ALL AGENCY FUNDS</b>				
<b>Assets:</b>				
Cash and cash equivalents	\$ 1,478,645	\$ 10,797,292	\$ 9,161,142	\$ 3,114,795
Due from other funds	20,389	-	-	20,389
	<u>\$ 1,499,034</u>	<u>\$ 10,797,292</u>	<u>\$ 9,161,142</u>	<u>\$ 3,135,184</u>
<b>Liabilities:</b>				
Due to other funds	\$ 44,333	\$ 275,397	-	\$ 319,730
Due to component units	17,787	-	-	17,787
Undistributed taxes and interest	1,436,914	10,521,895	9,161,142	2,797,667
	<u>\$ 1,454,701</u>	<u>\$ 10,797,292</u>	<u>\$ 9,161,142</u>	<u>\$ 3,135,184</u>

**CHARTER TOWNSHIP OF PORT HURON**  
**St. Clair County, Michigan**

**AGENCY FUNDS**  
**STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2006**

	Balance January 1, 2006	Additions	Deductions	Balance December 31, 2006
<b>CURRENT TAX COLLECTION FUND</b>				
<b>Assets:</b>				
Cash and cash equivalents	\$ 1,346,068	\$ 10,576,077	\$ 9,070,595	\$ 2,851,550
<b>Liabilities:</b>				
Due to other funds	\$ 44,333	\$ 275,397	\$ -	\$ 319,730
Due to component units	17,787	-	-	17,787
Undistributed taxes and interest	1,283,948	10,300,680	9,070,595	2,514,033
	<u>\$ 1,346,068</u>	<u>\$ 10,576,077</u>	<u>\$ 9,070,595</u>	<u>\$ 2,851,550</u>
<b>OTHER TAX COLLECTION FUND</b>				
<b>Assets:</b>				
Cash and cash equivalents	\$ 132,577	\$ 221,215	\$ 90,547	\$ 263,245
Due from other funds	20,389	-	-	20,389
	<u>\$ 152,966</u>	<u>\$ 221,215</u>	<u>\$ 90,547</u>	<u>\$ 283,634</u>
<b>Liabilities:</b>				
Undistributed taxes	<u>\$ 152,966</u>	<u>\$ 221,215</u>	<u>\$ 90,547</u>	<u>\$ 283,634</u>

## **COMPONENT UNITS**

**CHARTER TOWNSHIP OF PORT HURON****St. Clair County, Michigan****COMBINING BALANCE SHEET  
DISCRETELY PRESENTED COMPONENT UNITS  
DECEMBER 31, 2006**

	Downtown Development Authority			Total Downtown Development Authority
	Special Revenue	Debt Service	Capital Projects	
<b>ASSETS</b>				
Cash and cash equivalents	\$ 309,303	\$ -	\$ 168,304	\$ 477,607
Investments	1,000,000	-	-	1,000,000
Taxes receivable	1,138,107	-	-	1,138,107
Interest receivable	37,133	-	-	37,133
Due from primary government	17,787	-	20,680	38,467
Due from component units	-	-	298,236	298,236
	<u>\$ 2,502,330</u>	<u>\$ -</u>	<u>\$ 487,220</u>	<u>\$ 2,989,550</u>
<b>LIABILITIES AND FUND BALANCE</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 75,449	\$ -	\$ -	\$ 75,449
Due to other governmental units	92,434	-	-	92,434
Due to component units	298,236	-	-	298,236
Due to primary government	219,524	-	4,133	223,657
Deferred revenue	1,138,107	-	-	1,138,107
	<u>1,823,750</u>	<u>-</u>	<u>4,133</u>	<u>1,827,883</u>
<b>Fund Balance:</b>				
Unreserved - Undesignated	<u>678,580</u>	<u>-</u>	<u>483,087</u>	<u>1,161,667</u>
	<u>\$ 2,502,330</u>	<u>\$ -</u>	<u>\$ 487,220</u>	<u>\$ 2,989,550</u>

<u>Economic Development Corporation</u>	<u>Brownfield Development Authority</u>	<u>Total</u>
\$ 28,537	\$ 1,342	\$ 507,486
-	-	1,000,000
-	-	1,138,107
-	-	37,133
-	-	38,467
-	-	298,236
<u>\$ 28,537</u>	<u>\$ 1,342</u>	<u>\$ 3,019,429</u>

\$ 156	\$ -	\$ 75,605
-	-	92,434
-	-	298,236
21,573	42,620	287,850
-	-	1,138,107
<u>21,729</u>	<u>42,620</u>	<u>1,892,232</u>
<u>6,808</u>	<u>( 41,278)</u>	<u>1,127,197</u>
<u>\$ 28,537</u>	<u>\$ 1,342</u>	<u>\$ 3,019,429</u>

**CHARTER TOWNSHIP OF PORT HURON**

**St. Clair County, Michigan**

**RECONCILIATION OF FUND BALANCES ON THE BALANCE SHEET  
TO NET ASSETS OF GOVERNMENTAL ACTIVITIES ON THE STATEMENT OF NET ASSETS  
DISCRETELY PRESENTED COMPONENT UNITS  
DECEMBER 31, 2006**

Fund Balances - total governmental funds		\$	1,127,197
Amounts reported for governmental activities in the statement of net assets are different because:			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			
Capital assets			8,030,255
Accumulated depreciation		(	825,291)
Long - term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.			
Bonds payable	(	2,960,000)	
Accrued interest	(	<u>23,680</u>	<u>( 2,983,680)</u>
Net Assets of governmental activities		\$	<u><u>5,348,481</u></u>

# CHARTER TOWNSHIP OF PORT HURON

St. Clair County, Michigan

## COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - DISCRETELY PRESENTED COMPONENT UNITS FOR THE YEAR ENDED DECEMBER 31, 2006

	Downtown Development Authority			Total Downtown Development Authority
	Special Revenue	Debt Service	Capital Projects	
<b>Revenues:</b>				
Taxes	\$ 1,067,714	\$ -	\$ -	\$ 1,067,714
Interest and rent -				
Rent	-	-	-	-
Interest	91,811	-	7,423	99,234
	<u>1,159,525</u>	<u>-</u>	<u>7,423</u>	<u>1,166,948</u>
<b>Expenditures:</b>				
Public Works	863,508	-	20	863,528
Debt Service -				
Principal	-	545,000	-	545,000
Interest	-	154,645	-	154,645
	<u>863,508</u>	<u>699,645</u>	<u>20</u>	<u>1,563,173</u>
Excess of revenues over (under) expenditures	296,017	( 699,645)	7,403	( 396,225)
<b>Other Financing Sources (Uses):</b>				
Operating transfers in (out )	<u>( 699,645)</u>	<u>699,645</u>	<u>-</u>	<u>-</u>
Excess of revenues and other sources over expenditures and other uses	( 403,628)	-	7,403	( 396,225)
Fund Balances at beginning of year	<u>1,082,208</u>	<u>-</u>	<u>475,684</u>	<u>1,557,892</u>
Fund Balances at end of year	<u>\$ 678,580</u>	<u>\$ -</u>	<u>\$ 483,087</u>	<u>\$ 1,161,667</u>

<u>Economic Development Corporation</u>	<u>Brownfield Redevelopment Authority</u>	<u>Total</u>
\$ -	\$ -	\$ 1,067,714
4,000	-	4,000
<u>1,267</u>	<u>8</u>	<u>100,509</u>
<u>5,267</u>	<u>8</u>	<u>1,172,223</u>
3,183	48,941	915,652
-	-	545,000
-	-	154,645
<u>3,183</u>	<u>48,941</u>	<u>1,615,297</u>
2,084	( 48,933)	( 443,074)
<u>-</u>	<u>1,256</u>	<u>1,256</u>
2,084	( 47,677)	( 441,818)
<u>4,724</u>	<u>6,399</u>	<u>1,569,015</u>
<u>\$ 6,808</u>	<u>\$( 41,278)</u>	<u>\$ 1,127,197</u>

**CHARTER TOWNSHIP OF PORT HURON**

**St. Clair County, Michigan**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES  
DISCRETELY PRESENTED COMPONENT UNITS  
DECEMBER 31, 2006**

Net change in fund balances - total governmental funds			\$ ( 441,818)
--	--	--	---------------

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay			720,265
Depreciation expense		(	141,510)

Repayment of the principal of long-term debt consumes the current financial resources of governmental funds, however has no effect on net assets.

Principal payments on long term liabilities	545,000		
Decrease in accrued interest	<u>4,088</u>		<u>549,088</u>

Change in net assets of governmental activities			<u><u>\$ 686,025</u></u>
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**CHARTER TOWNSHIP OF PORT HURON**  
**St. Clair County, Michigan**

**DOWNTOWN DEVELOPMENT AUTHORITY**  
**SPECIAL REVENUE FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED DECEMBER 31, 2006**

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Positive (Negative)
<b>Revenues:</b>				
Taxes	\$ 1,000,000	\$ 1,000,000	\$ 1,067,714	\$ 67,714
Interest	15,000	15,000	91,811	76,811
	<u>1,015,000</u>	<u>1,015,000</u>	<u>1,159,525</u>	<u>144,525</u>
<b>Expenditures:</b>				
Public Works-				
Salaries and fringes			31,979	
Supplies			617	
Professional fees			7,660	
Street lighting			12,624	
Capital outlay			803,698	
Other			6,930	
	<u>1,036,350</u>	<u>614,600</u>	<u>863,508</u>	<u>( 248,908)</u>
Excess of revenues over (under) expenditures	( 21,350)	400,400	296,017	( 104,383)
<b>Other Financing (Uses):</b>				
Operating transfers out	<u>( 711,000)</u>	<u>( 711,000)</u>	<u>( 699,645)</u>	<u>11,355</u>
Excess of revenues under expenditures and other uses	( 732,350)	( 310,600)	( 403,628)	( 93,028)
Fund Balance at beginning of year	<u>1,082,208</u>	<u>1,082,208</u>	<u>1,082,208</u>	<u>-</u>
Fund Balance at end of year	<u>\$ 349,858</u>	<u>\$ 771,608</u>	<u>\$ 678,580</u>	<u>\$( 93,028)</u>

**CHARTER TOWNSHIP OF PORT HURON****St. Clair County, Michigan****ECONOMIC DEVELOPMENT CORPORATION****SPECIAL REVENUE FUND****SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE****BUDGET AND ACTUAL****FOR THE YEAR ENDED DECEMBER 31, 2006**

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Positive (Negative)
<b>Revenues:</b>				
Interest	\$ 200	\$ 200	\$ 1,267	\$ 1,067
Rentals	8,500	8,500	4,000	( 4,500)
	<u>8,700</u>	<u>8,700</u>	<u>5,267</u>	<u>( 3,433)</u>
<b>Expenditures:</b>				
Public Works-				
Supplies			131	
Professional fees			2,035	
Other			1,017	
	<u>8,700</u>	<u>8,700</u>	<u>3,183</u>	<u>5,517</u>
Excess of revenues over expenditures	-	-	2,084	2,084
Fund Balance at beginning of year	<u>4,724</u>	<u>4,724</u>	<u>4,724</u>	<u>-</u>
Fund Balance at end of year	<u>\$ 4,724</u>	<u>\$ 4,724</u>	<u>\$ 6,808</u>	<u>\$ 2,084</u>

**CHARTER TOWNSHIP OF PORT HURON****St. Clair County, Michigan****BROWNFIELD DEVELOPMENT AUTHORITY****SPECIAL REVENUE FUND****SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE****BUDGET AND ACTUAL****FOR THE YEAR ENDED DECEMBER 31, 2006**

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Positive (Negative)
<b>Revenues:</b>				
Intergovernmental - State	\$ -	\$ -	\$ -	\$ -
Interest	200	200	8	( 192)
	<u>200</u>	<u>200</u>	<u>8</u>	<u>( 192)</u>
<b>Expenditures:</b>				
Public Works-				
Professional fees			3,020	
Construction			45,150	
Other			771	
	<u>7,200</u>	<u>7,200</u>	<u>48,941</u>	<u>( 41,741)</u>
Excess of revenues under expenditures	( 7,000)	( 7,000)	( 48,933)	( 41,933)
<b>Other Financing Sources:</b>				
Transfers in	<u>7,000</u>	<u>7,000</u>	<u>1,256</u>	<u>( 5,744)</u>
Excess of revenues and other sources under expenditures	-	-	( 47,677)	( 47,677)
Fund Balance at beginning of year	<u>6,399</u>	<u>6,399</u>	<u>6,399</u>	<u>-</u>
Fund Balance (Deficit) at end of year	<u>\$ 6,399</u>	<u>\$ 6,399</u>	<u>\$( 41,278)</u>	<u>\$( 47,677)</u>

To the Supervisor and  
Members of the Township Board  
Charter Township of Port Huron  
St. Clair County, Michigan

In planning and performing our audit of the financial statements of the Charter Township of Port Huron as of and for the year ended December 31, 2006, in accordance with auditing standards generally accepted in the United States of America, we considered the Charter Township of Port Huron's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the organization's internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies and other deficiencies that we consider to be material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

The following deficiencies in internal control are considered to be material weaknesses:

**Preparation of Financial Statements In Accordance with Generally Accepted Accounting Principles.** (New Comment)

Management routinely prepares internal financial information to assess operations and the financial position of the Township on an ongoing basis. Although the internal financial information is useful to management, it is not presented in accordance with generally accepted accounting principles. The Township contracts with us, the auditors, to prepare adjustments to convert the financial statements from a modified cash basis to the modified accrual or accrual basis, to record the information necessary for the GASB 34 adjustments, and to draft the financial statements, including all necessary notes, in accordance with generally accepted accounting principles. (During our audit we proposed numerous audit entries, many of which were significant to the financial statements.)

This is considered to be a control deficiency since errors could occur in the preparation of the financial statements that would result in material deviation from generally accepted accounting principles and the Township would not be in a position to detect them.

**All funds should be balanced at the end of each month and balance sheet accounts agreed to supporting documentation. (Repeat/New Comment)**

During our audit we noted certain funds did not balance, debits equaling credits. The double entry accounting system is designed to provide control over the accounting records. As a result of the funds being out of balance, a number of problems can occur and go undetected. We recommend that the funds be balanced before the monthly records are closed.

Also during our audit, we proposed numerous journal entries, many of which were significant to the Township's financial statements. We recommend that each month all significant balance sheet accounts be reconciled to supporting documentation.

**Cash accounts should be reconciled to the general ledger on a timely basis. (New Comment)**

The Township's common bank account was not reconciled to the general ledger until months after the end of the year. Failure to reconcile the cash accounts in a timely manner leaves opportunity for misstatements on the general ledger to occur.

We recommend that the function of reconciling cash be performed in a timely manner, within six weeks of month-end.

**The utilities accounts receivable should be periodically reconciled to the detailed subsidiary records and all billing adjustments approved with supporting documentation attached. (Repeat Comment)**

During our audit we noted that the Township did not reconcile the detailed utilities accounts receivable ledgers to the General Ledger and that billing adjustments were not approved. By not performing this reconciliation, transactions or adjustments may be posted to the general ledger, but not the detailed accounts receivable ledger and vice versa. To increase the control over the utility accounts receivable and cash receipts, and increase the accuracy of internally prepared financial statements, the detailed accounts receivable ledger should be reconciled to the general ledger on a periodic basis and billing adjustments should be approved by someone other than the person preparing the billings and supporting documentation should be attached to support the proposed adjustment.

**All cash received for the sale of cemetery lots should be collected through the Treasurers office and a detailed subsidiary ledger should be maintained for all cemetery lots sold. (Repeat Comment)**

During the audit we noted that when cemetery lots are sold, the monies are not collected by the Township Treasurer. Although we understand that sometimes it is necessary to sell lots on the weekend, if at all possible, cash receipts should be processed through the Treasurer's Department. If it is necessary to collect monies during the weekend, it should be immediately deposited with the Treasurer.

In addition, currently some cemetery lots are sold on an installment sales agreement with the deed issued once the entire amount has been paid. To increase controls over the sale of cemetery lots, a detailed listing of each lot should be maintained, indicating the lot number down payment, any payment made, and the amount due.

The following deficiencies in internal control are considered to be significant deficiencies:

**All vendor invoices should be presented to the Township Board prior to payment.** (Repeat Comment)

During the audit it was noted that there were certain invoices that were paid but not included on the list presented to the Township Board for approval. It is our understanding that the Township Board has adopted a new policy, dated December 18, 2006, requiring all amounts to be approved prior to payment unless a penalty will be incurred, at which time the invoice can be paid and subsequently approved by the Board.

To comply with the Michigan Department requirements and to increase internal controls we recommend that this be strictly adhered to.

**Controls could be improved by utilizing passwords on certain computer applications.** (New Comment)

At the current time, passwords are not utilized to limit access to certain accounting modules to certain individuals and/or departments. For instance, currently, there are no passwords limiting the ability to post journal entries or process checks. To increase controls, we suggest that the Township work with the software company to limit access for certain functions and applications to certain individuals/departments.

**The Township adopted credit card policy should be followed.** (New Comment)

At the current time, a list of all credit cards owned by the Township is not being maintained, which is to include the credit limit established, the date issued/returned, and the initials of the employee to indicate that the policy was read and will be complied with.

During our testing, we also noted that there were instances where credit card purchases were not supported by an invoice or receipt. Although these purchases were approved by the department head, all purchases should be supported by original invoice or receipt.

**A detailed subsidiary ledger should be maintained for fire runs billed.** (New Comment)

During the year the Township started billing for the reimbursement of certain fire runs. Currently, the fire department invoices the individual being charged with payments remitted to the Township Treasurer. To increase control, all invoices should be pre-numbered with reference to the fire run, with copies of the invoice also submitted to the Township Treasurer. A detailed subsidiary ledger should be maintained that documents the invoices billed, invoices collected, and the remaining balance of the outstanding invoices.

**Controls over revenues generated at the Township's RV Park could be improved.** (Repeat Comment)

At the current time when someone arrives at the Township's RV Park the attendant issues a receipt for the amount collected based on the length of stay and the type of hook-up. Weekly the attendant takes the amount collected and a copy of the prenumbered receipts to the Township Hall for deposit. However, there is no way for the Township to know for certain whether all money collected was receipted by the attendant. We suggest the Township investigate instituting procedures to make sure all money collected is receipted and remitted to the Township.

**All permits should be prenumbered and receipted when payment is received.** (Repeat Comment)

At the current time the Township prenumbers the Building permits with a stamp, however the electrical, plumbing and mechanical permits are not prenumbered. To increase controls we recommend that all permits be prenumbered with the sequence accounted for on a routine basis. Also if the permits are not prenumbered by an outside agency, we suggest that the prenumbering stamp/machine be maintained by someone other than the individual responsible for cash receipting or performing the inspections.

Also, at the current time, a receipt is not issued when a permit payment is received. The funds are accumulated and deposited in batch approximately twice a week. To further increase controls, we recommend that all permits be receipted when payment is received and be included in that daily deposit.

This communication is intended solely for the information and use of management, the Township Board, and others within the Township, and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

A handwritten signature in cursive script, appearing to read "Stewart, Beauvois & Whipple".

June 21, 2007



## MANAGEMENT LETTER

To the Supervisor and Members  
of the Township Board  
Charter Township of Port Huron  
St. Clair County, Michigan

As you know, we have recently completed our audit of the basic financial statements of the Charter Township of Port Huron, as of and for the year ended December 31, 2006. In connection with the audit, we believe that certain changes in your accounting procedures would be helpful in improving management's control and the operational efficiency of the Township's recordkeeping system or compliance with laws and regulations. These suggestions are a result of our evaluation of internal accounting controls and procedures and our discussions with management. As noted in our ***Report on Internal Accounting Controls***, these weaknesses were not considered significant deficiencies in relation to the basic financial statements of the Charter Township of Port Huron.

**To increase controls, all journal entries should have supporting documentation.**

During our audit testing we noted that adjusting journal entries did not always have supporting documentation attached. All journal entries should be accompanied by a full explanation and/or by reference to adequate supporting data. The Township should also consider having someone other than the person making the entries approve the entries.

**The Township should consider modifying its investment policy.**

During the past couple of years, a new GASB Statement, GASB No. 40, became effective for all governmental units. The Statement requires that the governmental unit disclose additional information regarding the types of investments held, length of maturity, securities rating, etc. In addition, it discusses four types of risk: custodial credit risk, interest rate risk, credit risk and concentration of credit risk. (See Note 3 to the annual financial statements.)

We recommend that the current Township investment policy be reviewed and modified to address each type of risk.

**The Township should reconcile wages reported per the General Ledger to wages reported on quarterly Federal Form 941's and on the summary W-3.**

Wages reported on the quarterly 941 and the summary W-3 are not reconciled to the wages reported on the Township General Ledger. To ensure posting accuracy and proper reporting, a quarterly reconciliation should be performed comparing wages reported per the Township General Ledger to wages reported on the Federal Form 941 filed. Any difference should be investigated, and necessary corrections made.

**Improve control over electronic transactions.**

Public Act 738 of 2002 requires that each governing body adopt a policy for Automated Clearing House (ACH) arrangements and Electronic Transactions of Fund. The policy should contain procedures and personnel responsible for payment approval, accounting, reporting and general overseeing of compliance issues.

We recommend that a resolution for such a policy be adopted. In addition a record of all electronic transactions should be maintained to document which accounts are involved and the purpose of the transfer.

**The Township should review the utility charges to neighboring municipalities.**

The Township currently receives payment for water and sewer usage from a neighboring municipality without requesting any meter reads or support for the calculation of the amount used and being paid for.

We recommend that a written agreement be approved by the Township Board which details the rates that the water and sewer usage is to be charged at and the procedures to determine that the proper amount of usage is calculated correctly.

**The engineering fees escrow accounts should be reviewed and reconciled to the general ledger on a monthly basis.**

The Township requires developer/contractors to deposit monies in escrow accounts that are utilized by the Township to cover Township costs, including engineering fees, for the development. We recommend that the escrow accounts be reviewed at the end of each month with the developer bill to determine if additional monies are needed, and then once the development is completed at that time, any escrow balance be returned to the developer.

The escrow report should be reconciled to the general ledger on a monthly basis.

**On a periodic basis, a listing should be prepared of performance bonds held by the Township.**

At the current time, there is no listing of performance bonds outstanding.

We recommend that on a periodic basis, a schedule be prepared of the performance bonds held, listing name, amount and the deposit date. This schedule should be reconciled to the general ledger. The Township should then follow up on all old performance bonds to see if they should be refunded or forfeited.

These conditions were considered in determining the nature, timing, and extent of the audit tests applied in our audit of the December 31, 2006 financial statements. We have not considered internal control since the date of our report. It is important to remember that management is responsible for the design and implementation of programs and controls to prevent and detect fraud.

This report is intended solely for the information of the audit committee, administration and the Township Board of the Charter Township of Port Huron, Michigan and is not intended to be and should not be used by anyone other than these specified parties.

We wish to express our appreciation for the courtesy and cooperation extended to us during our examination. We are available to discuss any or all of these conditions with you and to provide assistance in the implementation of improvements.

Sincerely,

A handwritten signature in cursive script, reading "Stewart, Beauvois & Whipple".

June 21, 2007